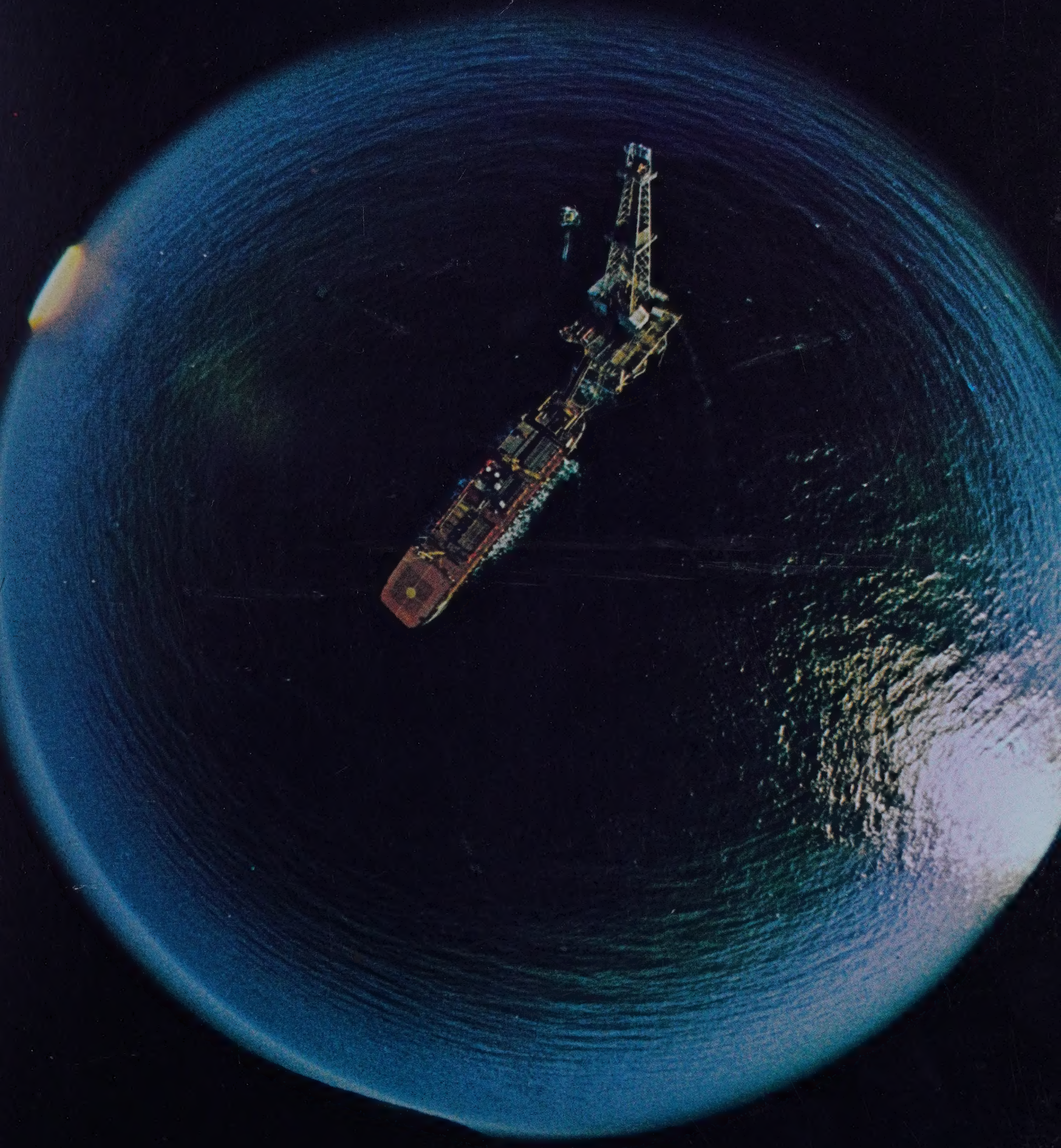
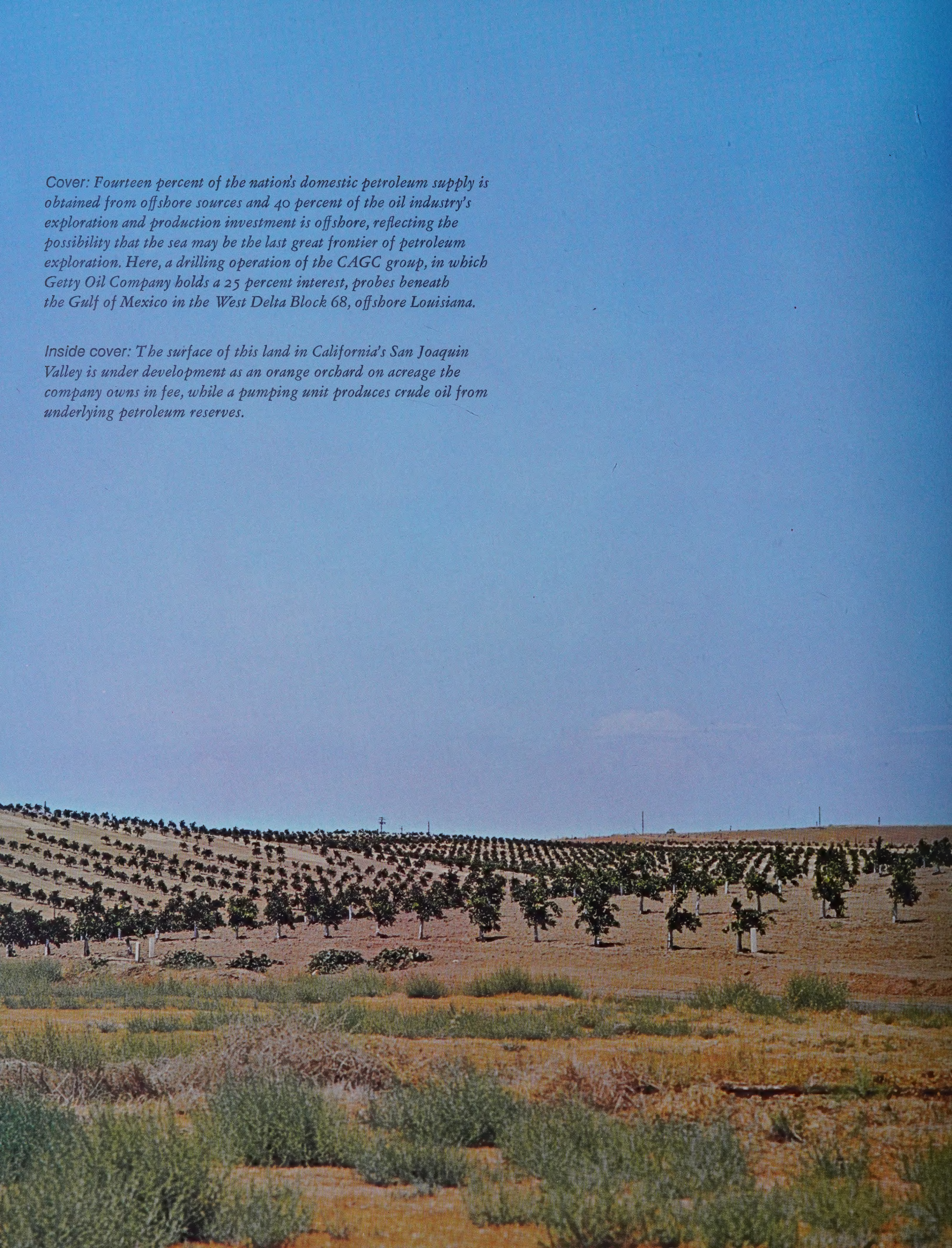
Getty Oil Company 42nd Annual Report 1970



The challenge: to provide energy



Cover: *Fourteen percent of the nation's domestic petroleum supply is obtained from offshore sources and 40 percent of the oil industry's exploration and production investment is offshore, reflecting the possibility that the sea may be the last great frontier of petroleum exploration. Here, a drilling operation of the CAGC group, in which Getty Oil Company holds a 25 percent interest, probes beneath the Gulf of Mexico in the West Delta Block 68, offshore Louisiana.*

Inside cover: *The surface of this land in California's San Joaquin Valley is under development as an orange orchard on acreage the company owns in fee, while a pumping unit produces crude oil from underlying petroleum reserves.*

Getty Oil Company Annual Report 1970

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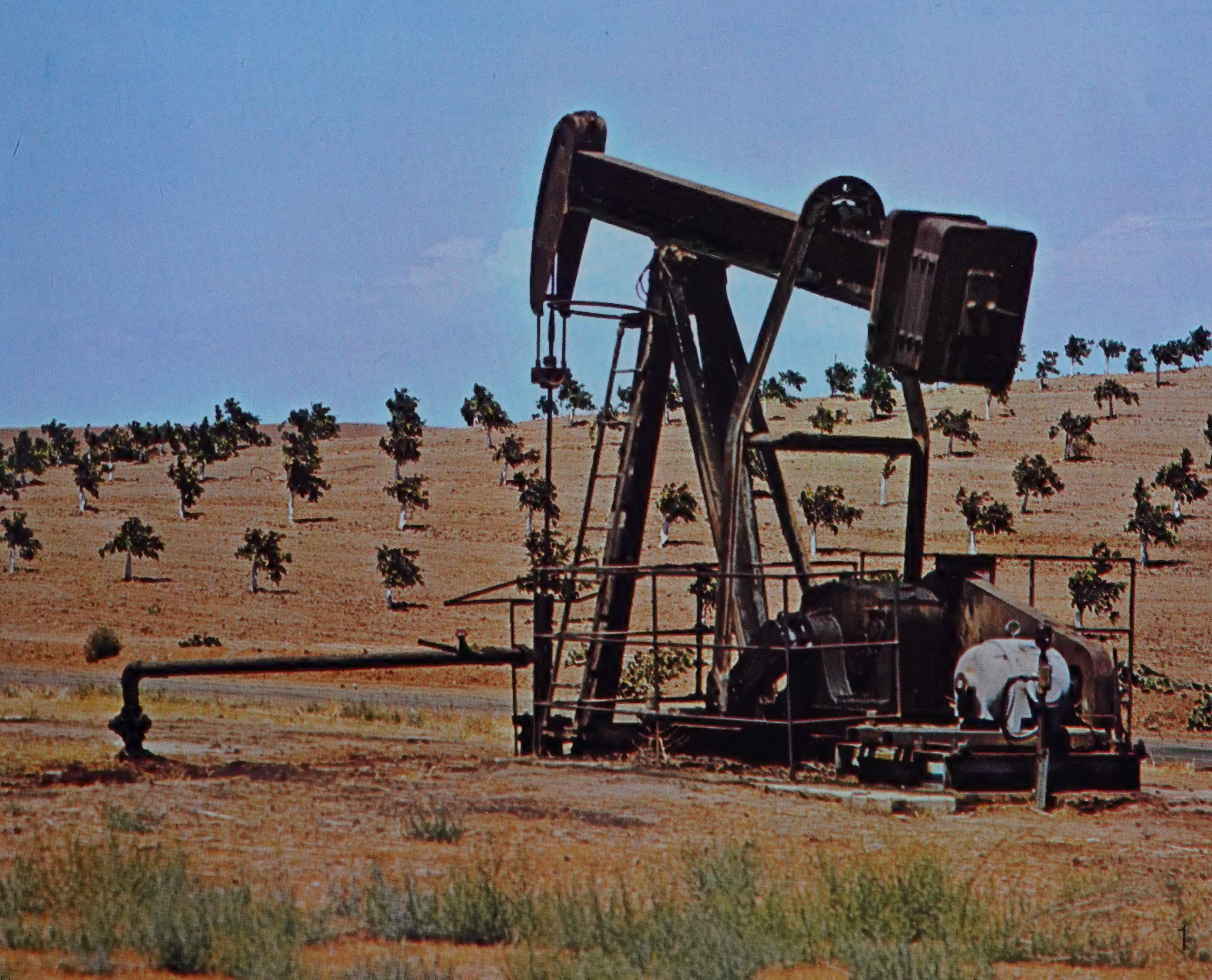

Board of Directors

D. Frederick Barton	*Partner, Eastman Dillon, Union Securities & Company*
Harold E. Berg	*Vice President, Getty Oil Company*
George F. Getty II	*Executive Vice President and Chief Operating Officer, Getty Oil Company*
J. Paul Getty	*President, Getty Oil Company*
J. Earle Gray	*Group Vice President, Getty Oil Company*
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Heinn F. Tomfohrde, Jr.	*Group Vice President, Getty Oil Company*
Dr. Norman Topping	*Chancellor, University of Southern California*

Officers

J. Paul Getty	*President*
George F. Getty II	*Executive Vice President and Chief Operating Officer*
J. Earle Gray	*Group Vice President — North America*
Heinn F. Tomfohrde, Jr.	*Group Vice President (Retired January 31, 1971)*
Charles D. Signorelli	*Vice President Finance*
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George H. Truran	*Vice President and General Manager, California Exploration and Production Division*
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Sidney R. Petersen	*Controller*
Hugh M. Slawson	*Treasurer*
Edward H. Hermsen	*Secretary*

Consolidated Highlights

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

	1970	1969
FINANCIAL		
Sales and other revenues (including excise taxes)	$1,351,724,000	$1,265,528,000
Income before minority interest and extraordinary items	118,571,000	124,187,000
Less minority interest in income of consolidated subsidiaries	(16,655,000)	(18,426,000)
Income before extraordinary items	101,916,000	105,761,000
Extraordinary items	9,230,000	13,507,000
Net income	111,146,000	119,268,000
Per average common share		
Income before extraordinary items	5.20	5.20
Net income	5.68	5.88
Funds provided by consolidated operations	293,646,000	279,005,000
Per average common share	15.28	14.02
Capital expenditures	248,739,000	270,232,000
Working capital	202,022,000	192,609,000
Total assets	$1,946,303,000	$1,859,024,000
Company percentage interest		
In Mission Corporation (direct)	75.05	73.49
In Skelly Oil Company (indirect, through Mission)	54.43	52.93
Minority interest in Mission and Skelly Oil	$ 236,820,000	$ 234,225,000
Common stockholders' equity	1,290,106,000	1,230,102,000
Per share	$ 67.76	$ 62.45

	1970				1969			
OPERATING	CONSOLIDATED	GETTY OIL AND WHOLLY OWNED SUBSIDIARIES	MISSION AND SKELLY	CONSOLIDATED LESS MINORITY INTEREST	CONSOLIDATED	GETTY OIL AND WHOLLY OWNED SUBSIDIARIES	MISSION AND SKELLY	CONSOLIDATED LESS MINORITY INTEREST
UNITED STATES AND CANADA								
Net production, barrels daily								
Crude oil and condensate	285,000	204,000	81,000	249,000	270,000	192,000	78,000	234,000
Natural gas liquids	32,000	20,000	12,000	26,000	29,000	18,000	11,000	24,000
Total	317,000	224,000	93,000	275,000	299,000	210,000	89,000	258,000
Natural gas production, thousand cubic feet daily	1,205,000	746,000	459,000	996,000	1,120,000	716,000	404,000	930,000
Refinery throughput, including processing for others, barrels daily	194,000	115,000	79,000	158,000	195,000	119,000	76,000	159,000
Sales of refined products, barrels daily	224,000	104,000	120,000	169,000	216,000	101,000	115,000	162,000
OUTSIDE NORTH AMERICA								
Net production of crude oil, barrels daily	107,000	107,000	—	107,000	89,000	89,000	—	89,000
Refinery throughput, including processing by others, barrels daily	31,000	31,000	—	31,000	56,000	56,000	—	56,000
Sales of refined products, barrels daily	34,000	34,000	—	34,000	48,000	48,000	—	48,000

Reference is made to the consolidated financial statements, and to the 10-year consolidated financial and operating statistical statements included in this report, and the accompanying notes attached thereto.

To The Stockholders

Getty Oil Company consolidates the financial and operating accounts of its domestic and wholly owned subsidiaries, its majority-owned subsidiary, Mission Corporation, and Mission's subsidiary, Skelly Oil Company. The company's consolidated net income from worldwide operations decreased seven percent in 1970 to $111,146,000, or $5.68 per share, compared with 1969 consolidated net income of $119,268,000, or $5.88 per share on a greater number of shares outstanding.

However, funds provided by consolidated operations in 1970 increased five percent over 1969 to total $293,646,000, or $15.28 per share. In 1969 funds provided by consolidated operations amounted to $279,005,000, or $14.02 per share on a greater number of shares outstanding.

Consolidated net income in 1970 included extraordinary items amounting to $9,230,000, or $.48 per share, representing the benefit from tax-timing differences between reported and taxable income. In 1970 the company had a $2 million loss of current income on commercial paper of Penn Central Transportation Company. In 1969 consolidated net income included extraordinary items amounting to $13,507,000, or $.68 per share. Of the total 1969 figure, $4,054,000 was a gain on the sale of the stock of Getty Oil Italiana and $9,453,000 was due to tax-timing benefits available in 1969.

Although consolidated operating income benefited from greater production of crude oil and natural gas for both Getty Oil and Skelly Oil and from higher charter rates for Getty Oil international fleet vessels, gains from these sources were more than offset by adverse costs. A major reversal resulted from the temporary shutdown of two major processing units at Getty Oil's 140,000-barrels-per-day Delaware Refinery. The shutdown of the 42,000-barrels-per-day fluid coker for repairs and the 106,000-barrels-per-day catalytic cracker for turnaround increased maintenance and raw materials costs, and resulted in a higher proportion of lesser-value products. During the shutdown period, in the first half of the year, outside product purchases were necessary, and tanker shipments of crude oil were deferred or rerouted to others. Other factors lowering 1970 earnings were one-time marketing costs associated with introducing the Getty trademark and Getty Premium gasoline through 2,108 Eastern Seaboard service stations; a writedown of the assets of Getty Oil (Philippines) Inc., due to the adoption by the Philippine government of a floating exchange rate for the peso; and — for both Getty Oil and Skelly Oil — higher petroleum exploration expenditures and increases in taxes, wages and other costs.

Mission and Skelly Oil consolidated earnings totaled $35,858,000 in 1970, compared with $37,863,000 in 1969. Getty Oil's share of Mission and Skelly Oil earnings, included in 1970 consolidated income, amounted to $19,203,000, compared with $19,437,000 in 1969.

Consolidated Sales and Other Revenues

Getty Oil's consolidated sales and other revenues in 1970 increased seven percent and totaled a record $1,351,724,000, compared with 1969 consolidated sales and other revenues of $1,265,528,000. Petroleum and other operations in 1970 contributed $1,294,322,000, compared with 1969 consolidated sales and other revenues of $1,224,657,000. Foreign fleet operations contributed the remaining $57,402,000 to total consolidated sales and other revenues in 1970, compared with $40,871,000 in 1969.

From petroleum and other operations, consolidated gross income in 1970, before income taxes, minority interest and extraordinary items, amounted to $148,040,000, compared with 1969 results of $150,465,000. Foreign fleet operations in 1970 contributed the balance of $18,529,000 to consolidated gross income, compared with 1969 contributions of $2,783,000.

Capital Expenditures

Consolidated capital expenditures in 1970 were $248,739,000, eight percent lower than the 1969 capital expenditures of $270,232,000. The higher sum in 1969 in part reflected Getty Oil's investment in 18 tracts on the Alaska North Slope. The greatest portion of 1970 capital expenditures, amounting to $164,527,000, or 66 percent of the total, was invested in exploration and production activities, compared with exploration and production expenditures of $201,954,000, or 75 percent of the total, in 1969. In both years the remainder of the capital investment was primarily spent in marketing, manufacturing and transportation functions.

Total Assets and Stockholders' Equity

The company's consolidated total assets stood at $1,946,303,000 on December 31, 1970, a $87,279,000, or five percent, increase over the $1,859,024,000 on record on December 31, 1969. Consolidated common stockholders' equity increased five percent, by $60,004,000, during 1970 and at year end totaled $1,290,106,000, equal to $67.76 per share. At the close of 1969, consolidated common stockholders' equity was $1,230,102,000, equal to $62.45 per share. In 1970 Getty Oil paid or declared dividends in the amounts of $20,780,000, or $1.06 per share, on its common stock and $2,027,000 on its preferred stock. On March 10, 1971, the company paid a cash dividend on the common stock in the amount of $21,500,510, or $1.13 per share.

During 1970 Getty Oil Company acquired on the open market 53,370 shares of Mission Corporation common stock at an average cost of $82.12 per share. At year-end 1970 these purchases had increased the company's ownership of Mission common

stock to 2,570,800 shares, equivalent to 75.05 percent of the outstanding shares, representing an equity acquired at an average cost of $31.25 per share. Similarly in 1970 Mission acquired on the open market 24,300 shares of Skelly Oil Company common stock at an average cost of $31.42 per share, and as of December 31 Mission held 8,602,500 shares, or 72.52 percent of Skelly Oil's outstanding stock, acquired at an average cost of $.74 per share. In addition, Skelly Oil purchased 47,200 shares of its common stock on the open market in 1970. Getty Oil at year end held a 54.43 percent interest in Skelly Oil. Provision for the minority interest in Mission and Skelly Oil is reflected in the consolidated financial statements.

Getty Oil in 1970 also purchased 659,300 shares of its own common stock on the open market at an average cost per share of $44.25, and at year end held in the treasury a total of 1,183,848 common shares acquired at an average cost of $55.77 per share. The company is annually required to redeem 81,834 shares of its preferred stock at a par value of $25 per share. Throughout 1970 the company continued its practice of purchasing these shares on the open market, and during the year acquired 105,000 preferred shares at an average cost of $16.99 per share. On December 31, 1970, Getty Oil held 788,581 preferred shares in the treasury, which will be used to satisfy future redemption requirements.

Long-Term Debt

The company purchased 1,979 of its 3½ percent sinking fund debentures during 1970 at an average cost of $686.04, substantially below the $1,000 par value. At year-end 1970 the company held $28,166,000 worth of the debentures at par value, which will be used to satisfy future sinking fund requirements.

Consolidated long-term debt, including current portion, was $115,199,000 at the end of 1970, a reduction of $2,358,000, or two percent, from $117,557,000 at the end of 1969. Of these totals, Getty Oil debt was $42,438,000 at the end of 1970, against $47,743,000 at the end of 1969, and Skelly Oil debt was $72,761,000 at the end of 1970, against $69,814,000 at the end of 1969.

Consolidated Exploration and Production

An increase of nine percent in consolidated net production of petroleum liquids was achieved by the companies in 1970, reaching a total of 424,000 barrels per day. This record production consisted of 392,000 barrels per day of crude oil and condensate and 32,000 barrels per day of natural gas liquids. In 1969 consolidated net production of petroleum liquids amounted to 388,000 barrels per day, consisting of 359,000 barrels per day of crude oil and condensate and 29,000 barrels per day of natural gas liquids.

Consolidated natural gas production in 1970 increased eight percent to 1,205 million cubic feet per day, as compared with 1,120 million cubic feet per day in 1969.

The companies — individually, together or with others — participated in drilling 1,464 gross wells in 1970, with a resulting consolidated net interest equivalent to 669 wells. In 1969 the company's net interest was equivalent to 299 wells drilled. Much of the increase in 1970 was due to the drilling of thermal recovery wells by Getty Oil in California. Of the 1970 net-interest wells drilled, 611 were oil or gas producers and 58 were dry holes, for a success ratio of 91 percent.

Consolidated Manufacturing and Marketing

Refinery throughput of the companies in 1970 amounted to 225,000 barrels per day, compared with 1969 refinery throughput of 251,000 barrels per day. In 1969 the total amount included the 19,600-barrels-per-day refinery throughput of Getty Oil Italiana for the first 10 months of the year, prior to the company's sale of its stock in that subsidiary. Consolidated sales of refined petroleum products in 1970 were 258,000 barrels per day, compared with 264,000 barrels per day, including 18,800 barrels per day of Getty Oil Italiana prior to the sale, in 1969.

Management Changes

Mr. H. F. Tomfohrde Jr., group vice president, marketing, manufacturing, transportation and finance, retired on January 31, 1971, following 42 years of service as an employee, executive and officer of the company. Mr. Tomfohrde joined the company in 1929 as a development engineer at the former Bayonne, New Jersey, refinery. He held a number of important management positions prior to his appointment as a vice president in 1964. He assumed the position of group vice president in 1966. Mr. Tomfohrde was elected a director of the company in 1966 and continues in that post. Following Mr. Tomforhde's retirement, Mr. J. Earle Gray, group vice president, was assigned executive responsibility for all divisions operating on the North American continent. Mr. C. D. Signorelli, who had served as vice president and controller, was appointed vice president finance. Mr. S. R. Petersen was appointed controller.

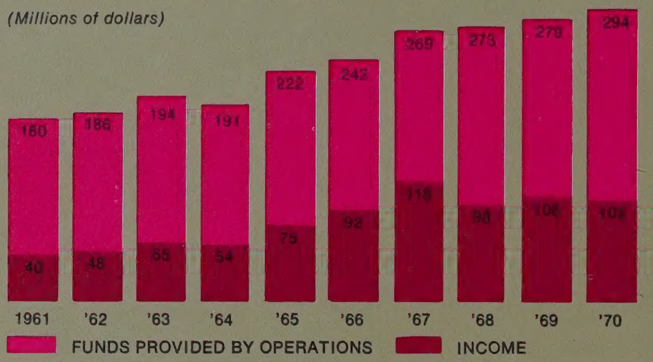
By Order of the Board of Directors
March 5, 1971

George F. Getty II
Executive Vice President and
Chief Operating Officer

J. Paul Getty
President

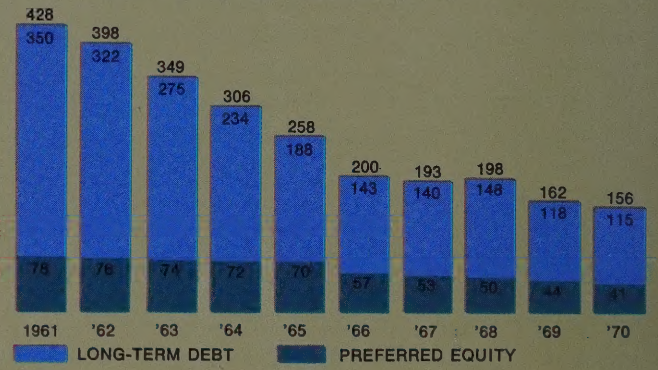
Funds Provided by Operations and Income Before Extraordinary Items

(Millions of dollars)



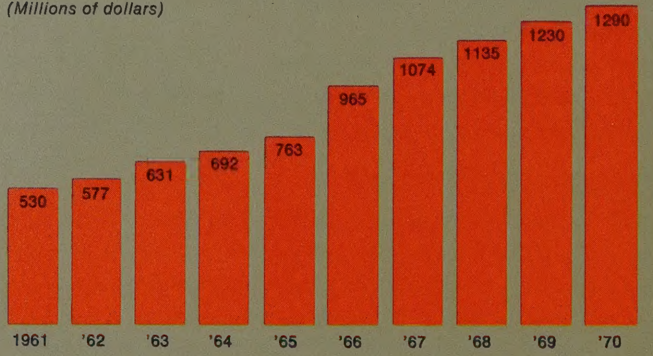
Long-Term Debt Including Current Portion and Preferred Equity

(Millions of dollars)



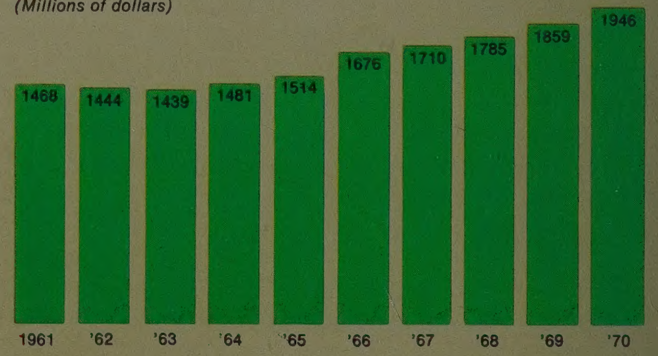
Common Stockholders' Equity

(Millions of dollars)



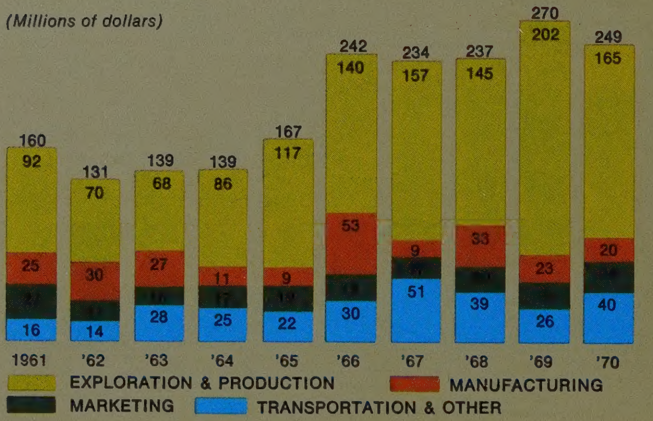
Total Assets

(Millions of dollars)



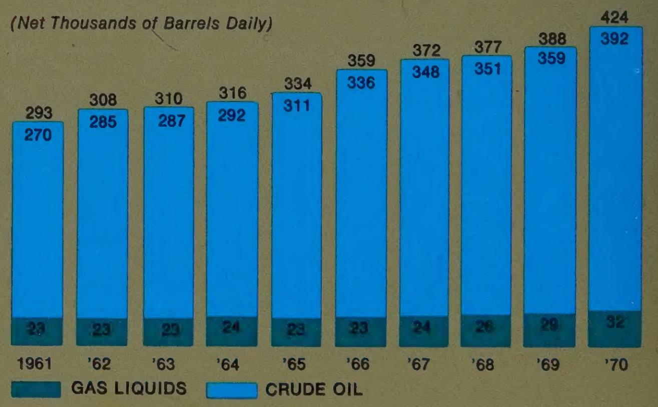
Capital Expenditures

(Millions of dollars)



Crude Oil and Natural Gas Liquids Production

(Net Thousands of Barrels Daily)



Consolidated Statement of Income

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

	1970	1969
REVENUES		
Sales, including excise taxes, and other operating revenues — *Note 8*	$1,326,136,000	$1,239,549,000
Dividends, interest and other income	22,251,000	25,063,000
Gain on sale of assets	3,337,000	916,000
	1,351,724,000	1,265,528,000
COSTS AND EXPENSES		
Crude oil, products and merchandise costs and operating expenses	743,844,000	706,208,000
Exploration and dry hole costs and undeveloped lease amortization	64,592,000	52,112,000
Selling, general and administrative expenses	105,568,000	96,902,000
Taxes, including income taxes — *Note 8*	194,240,000	167,499,000
Depreciation and depletion	115,994,000	108,786,000
Interest on indebtedness	8,915,000	9,834,000
	1,233,153,000	1,141,341,000
INCOME BEFORE MINORITY INTEREST AND EXTRAORDINARY ITEMS	118,571,000	124,187,000
Less minority interest in income of consolidated subsidiaries — *Note 1*	(16,655,000)	(18,426,000)
INCOME BEFORE EXTRAORDINARY ITEMS	101,916,000	105,761,000
Extraordinary items — *Note 2*	9,230,000	13,507,000
NET INCOME	$ 111,146,000	$ 119,268,000
INCOME PER AVERAGE COMMON SHARE		
Income before extraordinary items	$ 5.20	$ 5.20
Extraordinary items	.48	.68
Net income	$ 5.68	$ 5.88

The accompanying notes are an integral part of this statement.

Consolidated Statement of Funds

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

	1970	1969
SOURCE OF FUNDS		
Income before minority interest and extraordinary items	$118,571,000	$124,187,000
Depreciation and depletion	115,994,000	108,786,000
Amortization of undeveloped leases and dry hole costs	43,897,000	35,747,000
Reduction in income taxes otherwise payable — *Note 8*	9,230,000	7,915,000
Deferred income taxes — *Note 8*	5,954,000	2,370,000
Funds provided by consolidated operations	293,646,000	279,005,000
Proceeds from long-term borrowing — *Note 4*	27,203,000	10,825,000
Property retirements and sales, net, including certain extraordinary items in 1969 — *Notes 2 and 3*	18,115,000	39,314,000
Increase in deferred income and noncurrent reserves (excluding deferred income taxes)	4,256,000	373,000
Decrease (increase) in investments in subsidiaries and affiliates and long-term receivables	5,390,000	(26,375,000)
	$348,610,000	$303,142,000
APPLICATION OF FUNDS		
Capital expenditures, including dry hole costs	$248,739,000	$270,232,000
Increase (decrease) in working capital	9,413,000	(42,476,000)
Reduction of long-term debt — *Note 4*	24,668,000	21,877,000
Purchase of preferred stock and common minority interest	37,625,000	38,144,000
Cash dividends paid or declared		
Preferred stockholders	2,027,000	2,247,000
Common stockholders	20,780,000	7,595,000
Minority stockholders of consolidated subsidiaries	5,358,000	5,523,000
	$348,610,000	$303,142,000

The accompanying notes are an integral part of this statement.

Consolidated Balance Sheet

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

Assets

	December 31 1970	December 31 1969
CURRENT ASSETS		
Cash	$ 26,426,000	$ 25,100,000
Marketable securities, at cost, which approximates market	81,762,000	81,232,000
Notes and accounts receivable, less reserves	189,806,000	181,813,000
Inventories, at or below cost		
Crude oil, refined and other products (principally last-in, first-out)	76,964,000	62,613,000
Materials and supplies	19,046,000	21,600,000
Other current assets	21,046,000	18,719,000
Total current assets	415,050,000	391,077,000
INVESTMENTS AND ADVANCES — *Note 1*	61,678,000	63,069,000
LONG-TERM RECEIVABLES	78,878,000	83,548,000
PROPERTY, FACILITIES AND EQUIPMENT, at cost, less accumulated depreciation, depletion and amortization — *Note 3*	1,390,697,000	1,321,330,000
	$1,946,303,000	$1,859,024,000

Liabilities and Stockholders' Equity

	1970	1969
CURRENT LIABILITIES		
Current portion of long-term debt	$ 8,026,000	$ 12,919,000
Notes payable	19,078,000	19,633,000
Accounts payable and accrued liabilities	154,737,000	144,176,000
Income taxes	31,187,000	21,740,000
Total current liabilities	213,028,000	198,468,000
LONG-TERM DEBT — *Note 4*	107,173,000	104,638,000
DEFERRED INCOME AND NONCURRENT RESERVES — *Note 5*	58,051,000	47,841,000
Total liabilities	378,252,000	350,947,000
MINORITY INTEREST IN SUBSIDIARIES — *Note 1*	236,820,000	234,225,000
STOCKHOLDERS' EQUITY — *Note 6*		
Preferred	41,125,000	43,750,000
Common	1,290,106,000	1,230,102,000
Total stockholders' equity	1,331,231,000	1,273,852,000
	$1,946,303,000	$1,859,024,000

The accompanying notes are an integral part of this balance sheet.

Consolidated Statement of Stockholders' Equity

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

	1970 Shares	1970 Amount	1969 Shares	1969 Amount
PREFERRED STOCKHOLDERS' EQUITY — *Note 6*				
Authorized preferred stock,				
$1.20 cumulative, $25 par value	2,679,083		2,679,083	
Issued at beginning of year	2,515,415	$ 62,885,000	2,597,249	$ 64,931,000
Treasury stock retired under issue provisions	(81,834)	(2,046,000)	(81,834)	(2,046,000)
	2,433,581	60,839,000	2,515,415	62,885,000
Stock held in treasury, at par value	(788,581)	(19,714,000)	(765,415)	(19,135,000)
Preferred stockholders' equity	1,645,000	$ 41,125,000	1,750,000	$ 43,750,000
COMMON STOCKHOLDERS' EQUITY — *Note 6*				
Authorized common stock, $4 par value	22,000,000		22,000,000	
Issued at beginning and end of year	20,221,848	$ 80,888,000	20,221,848	$ 80,888,000
Capital in excess of par value of capital stock				
Balance at beginning of year		71,135,000		69,610,000
Excess of par value over cost of preferred stock purchased		841,000		1,525,000
Balance at end of year		71,976,000		71,135,000
Retained earnings reinvested				
Balance at beginning of year		1,114,925,000		1,005,499,000
Net income for the year		111,146,000		119,268,000
Cash dividends				
Preferred stock, $1.20 per share		(2,027,000)		(2,247,000)
Common stock, 1970, $1.06 per share; 1969, $.38 per share		(20,780,000)		(7,595,000)
Balance at end of year		1,203,264,000		1,114,925,000
Stock held in treasury, at cost	(1,183,848)	(66,022,000)	(524,548)	(36,846,000)
Common stockholders' equity	19,038,000	$1,290,106,000	19,697,300	$1,230,102,000

The accompanying notes are an integral part of this statement.

NOTE 1 — Principles of Consolidation

The accounts of all domestic and foreign wholly owned subsidiaries and those of the majority-owned subsidiary, Mission Corporation, and that company's subsidiary, Skelly Oil Company, have been consolidated in the accompanying financial statements. On December 31, 1970, the company owned a 75.05 percent interest in Mission Corporation and that company in turn owned a 72.52 percent interest in Skelly Oil Company, resulting in a 54.43 percent equity of Getty Oil in Skelly Oil; the comparable equity interests on December 31, 1969, were, respectively, 73.49 percent, 72.03 percent and 52.93 percent. The consolidated balance sheet of Getty Oil accordingly includes the accounts of Mission and Skelly Oil as follows:

	December 31 1970	December 31 1969
Skelly Oil		
Current assets	$140,999,000	$119,669,000
Investments, Advances, and Long-term receivables	29,349,000	35,721,000
Property, facilities and equipment, net	527,983,000	492,536,000
Total assets	698,331,000	647,926,000
Current liabilities	85,198,000	74,422,000
Long-term debt	68,227,000	60,532,000
Deferred income and noncurrent reserves	26,396,000	17,248,000
Total liabilities	179,821,000	152,202,000
Net assets of Skelly Oil	518,510,000	495,724,000
Mission		
Net assets, other than its interest in Skelly Oil	435,000	1,085,000
Total net assets of Mission and Skelly Oil	$518,945,000	$496,809,000

The equity of the minority stockholders of Mission and Skelly Oil in the net assets of these companies was $236,820,000 on December 31, 1970, and $234,225,000 on December 31, 1969; these amounts appear in the consolidated balance sheet on Page 9. The consolidated statement of income on Page 7 includes all of the revenues, costs and expenses of Mission and Skelly Oil. The interest therein of the minority stockholders of Mission and Skelly Oil ($16,655,000 for 1970 and $18,426,000 for 1969) has been deducted in arriving at the amount shown as net income.

The company's equity in the net assets of all of its consolidated subsidiaries exceeded the cost of its investment by $248,500,000 on December 31, 1970. This is a net amount of which $263,000,000, representing the share in the subsidiaries' earnings since dates of acquisition, has been credited in consolidation to retained earnings; the balance of $14,500,000, representing the excess of cost over underlying book value of the investments at dates of acquisition, less amortization to date, has been charged to property, facilities and equipment. The company's investment in Vangas, Inc., a 71.40-percent-owned subsidiary, has been adjusted to include its share of earnings retained by that company. Also included in the consolidated financial statements is the 50 percent interest of Skelly Oil in the assets, liabilities and operations of Chemplex Company, an unincorporated joint venture.

Net foreign assets at the end of 1970 were $234,100,000 and net foreign income for 1970 was $17,400,000. Comparable income for 1969 was $6,900,000. Foreign subsidiaries' accounts reflected in the financial statements are expressed in United States dollars as follows: current assets and liabilities at the prevailing rates of exchange on December 31, 1970; investments and fixed assets at rates in effect when the assets were acquired; and the income accounts at the average rates of exchange during the year, except for depreciation charges which are calculated at rates in effect when the assets were acquired. The resulting gains or losses upon revaluation and conversion of foreign currencies are included in net income.

Investments and advances included in net foreign assets above include a 48.7 percent interest in Mitsubishi Oil Company, a refiner and marketer of petroleum products in Japan. The company's equity at the end of 1970 in the net assets of Mitsubishi Oil was approximately $9,939,000 in excess of the carrying value of its investment of $18,923,000. The company's share of the 1970 net income of Mitsubishi Oil was approximately $2,693,000 as compared with dividends received of $1,353,000.

NOTE 2 — Extraordinary Items

Extraordinary items included in net income in 1970 and 1969 are as follows:

	1970	1969
Reduction in income taxes otherwise payable	$9,230,000	$ 9,453,000
Gain on sale of stock of Italian subsidiary, less allocable income taxes of $1,538,000	—	4,054,000
	$9,230,000	$13,507,000

The reduction in income taxes otherwise payable is caused by an excess of tax deductions over deductions reported for financial accounting purposes and represents the realization of tax benefits relating to charges against income reported in prior years for which no tax benefits were then recognized because of the uncertainty of realization.

NOTE 3 — Property, Facilities and Equipment

The segregation of property, facilities and equipment on December 31, 1970, by major operating functions, is as follows:

	Gross Investment	Reserves	Net Investment
Exploration and production	$1,789,812,000	$ 989,889,000	$ 799,923,000
Transportation	216,007,000	109,772,000	106,235,000
Manufacturing	454,976,000	233,723,000	221,253,000
Marketing	241,346,000	102,238,000	139,108,000
Natural gasoline plants	138,666,000	70,055,000	68,611,000
Other	86,939,000	31,372,000	55,567,000
Total	$2,927,746,000	$1,537,049,000	$1,390,697,000

The net investment in undeveloped oil and gas properties and leaseholds included above is $145,714,000. The costs of undeveloped leaseholds are amortized over the terms of the leases on a basis to provide, based on company experience, for abandonment of those which may be unproductive.

Depreciation and depletion of the cost of developed oil and gas properties, including intangible drilling costs which are capitalized, are provided within each operating district on a unit-of-production basis. Substantially all exploration costs and dry hole losses are charged currently to income, except that geophysical costs on leases acquired as the result of petroleum exploration programs are being capitalized and amortized over the related lease terms, or, where leases are productive, on a unit-of-production basis.

It is not practicable to summarize depreciation and amortization rates (which are generally applied on a straight-line basis) applicable to other assets because of the variety of properties and numerous rates used. These rates are reviewed annually and are revised as deemed necessary.

Except for oil and gas properties mentioned above, the cost of properties retired or otherwise disposed of is removed from the property accounts. Gains or losses on disposition of complete units are reflected currently in income; however, if material, such gains or losses are classified as extraordinary items. Gains or losses on disposition or retirement of minor facilities or partial units are treated as adjustments of the reserve accounts. Replacement costs of major portions of facilities and all betterments are capitalized. Expenditures for maintenance, repairs and minor replacements are charged currently to operating expenses.

NOTE 4 — Long-term Debt

Long-term debt on December 31, 1970 and 1969, consisted of the following obligations:

	1970	1969
Getty Oil Company		
Sinking fund debentures, 3½%, due April 1, 1986, net of $28,166,000 of debentures held in treasury on December 31, 1970, which are being used to satisfy semiannual sinking fund requirements of $1,250,000 which began in October, 1969	$ 18,084,000	$ 20,063,000
Tanker financing notes, 3⅝ to 5%, payable in monthly and quarterly installments over 4 to 10 years	12,651,000	14,533,000
Plant financing notes, 5½%, payable semiannually over 5 years	5,432,000	6,791,000
Other	2,779,000	2,719,000
	38,946,000	44,106,000
Skelly Oil Company		
Debentures, 8.15%, due May 1, 1976	25,000,000	—
Industrial revenue bonds, 3.8 to 5.5%, due 1971 to 1998	41,633,000	42,857,000
Notes payable, 6 to 8½%, due 1971	—	17,300,000
Other	1,594,000	375,000
	68,227,000	60,532,000
Total	$107,173,000	$104,638,000
Current indebtedness maturing within one year	$ 8,026,000	$ 12,919,000

NOTE 5 — Deferred Income and Noncurrent Reserves

	December 31 1970	1969
Deferred income taxes	$ 7,829,000	$ 1,793,000
Gas revenue refundable	9,099,000	7,044,000
Gain on sale of hotel property	10,467,000	10,467,000
Other deferred income and noncurrent reserves	30,656,000	20,276,000
Sales of future oil production	—	8,261,000
Total	$58,051,000	$47,841,000

The gain on the sale of the hotel property is recorded on the installment basis as payments on the principal are received; payments on principal have been waived until at least 1974.

The 1969 Tax Reform Act resulted in the company's elimination of oil payment sales in 1969 and 1970. The balance in 1969 was a carryover from 1968 and prior sales.

NOTE 6 — Capital Stock

Under the sinking fund provisions of the preferred stock issue, the company is required to redeem 40,917 shares of its $25 par value stock on each January 10 and July 10. The sinking fund provisions may be satisfied from treasury stock previously purchased on the open market and, accordingly, 81,834 treasury shares were retired during 1970.

The preferred stock issue contains provisions which restrict the payment of cash dividends on common stock and the purchase or redemption of such stock. On December 31, 1970, approximately $185,000,000 of consolidated retained earnings were restricted under these provisions.

NOTE 7 — Pensions

The companies have several pension and retirement plans which provide for the funding of the costs of prior and current service through trust funds. These funds are administered by independent trustees. The total pension expense was $8,720,000 in 1970 and $7,935,000 in 1969, which includes amortization of prior service costs over periods ranging from 10 to 30 years or, as in one of the plans, over the average future service lives of the covered employees. As of January 1, 1970, the companies now bear the entire cost of the plans and may modify or discontinue the plans at any time. Effective January 1, 1971, Getty Oil Company amended its retirement plan to provide for increased benefits to employees retiring subsequent to that date. It is estimated that this amendment will increase the total annual pension expense, including amortization of prior service costs, by approximately $2 million. The assets of the pension funds as of December 31, 1970, are sufficient to cover the actuarially computed value of vested benefits under the plans.

NOTE 8 — Taxes, Including Income Taxes

	1970	1969
Operating taxes		
Property	$ 19,644,000	$ 18,227,000
Severance and production	15,422,000	14,736,000
Payroll and other	6,210,000	5,772,000
	41,276,000	38,735,000
Excise taxes	104,966,000	99,703,000
Income taxes		
Federal and state		
Current	33,593,000	23,331,000
Deferred	5,954,000	2,370,000
Investment tax credit	(2,502,000)	(4,898,000)
Foreign	10,953,000	8,258,000
	47,998,000	29,061,000
Total	$194,240,000	$167,499,000

Excise taxes collected have been included in sales and other operating revenues. Provision is made for applicable taxes on dividends, including those from subsidiaries, as received.

Partially offsetting the charges for current income taxes shown above are $9,230,000 and $7,915,000 included in the extraordinary items in 1970 and 1969, respectively (see Note 2).

NOTE 9 — Litigation

The United States, through the Department of Justice, filed suit in 1966 under the antitrust laws to block the sale of the former Tidewater's western marketing and manufacturing assets and certain related transportation facilities to Phillips Petroleum Company. The sale was completed following the U.S. District Court's denial of the Department of Justice's motion for a temporary restraining order. Subsequently a motion for a preliminary injunction by the Department of Justice was also denied. The department has stated that it intends to press the case. No trial date has been set.

NOTE 10 — Commitments and Contingent Liabilities

Minimum annual rentals under long-term leases, principally for the crude oil pipeline in California, tankers and service stations, but excluding oil and gas leases, are estimated to be $28,600,000 in 1971. Thereafter, it is expected that the net fixed annual rentals will be reduced to approximately $21,400,000 in 1972 and $13,100,000 in 1973 because of agreements, principally long-term foreign tanker charters, which will expire and are not expected to be renewed.

There are contingent liabilities with respect to other pending litigation, claims, commitments, etc., the settlement of which will not, in the opinion of the companies concerned, result in any material loss.

Auditors' Report

ARTHUR ANDERSEN & CO.

To the Stockholders and Board of Directors,
Getty Oil Company:

We have examined the consolidated balance sheet of Getty Oil Company (a Delaware corporation) and subsidiaries as of December 31, 1970 and 1969, and the related statements of income, stockholders' equity, and funds for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above mentioned financial statements present fairly the consolidated financial position of Getty Oil Company and subsidiaries as of December 31, 1970 and 1969, and the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Los Angeles, California,
February 15, 1971.

Ten-Year Consolidated Financial Statistics

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company (Dollar amounts in thousands except per share amounts)

	1970	1969	1968
FINANCIAL			
Sales and other revenues (including excise taxes)	$ 1,351,724	$ 1,265,528	$ 1,204,374
Income before extraordinary items(1)	101,916	105,761	98,250
Per average common share(2)	5.20	5.20	4.75
Net income(1)	111,146	119,268	98,250
Per average common share(2)	5.68	5.88	4.75
Funds provided by consolidated operations	293,646	279,005	273,383
Per average common share(2)	15.28	14.02	13.56
Net working capital	202,022	192,609	235,085
Current ratio	1.95 to 1	1.97 to 1	2.16 to 1
Property, facilities and equipment, net	1,390,697	1,321,330	1,194,917
Capital expenditures			
Exploration and production	164,527	201,954	145,556
Manufacturing	19,873	22,730	33,110
Marketing	24,480	19,388	19,612
Transportation, natural gasoline plants and other	39,859	26,160	39,191
Total	248,739	270,232	237,469
Total 10 year	1,968,349		
Total assets	1,946,303	1,859,024	1,784,870
Long-term debt, including current portion	115,199	117,557	147,854
Company percentage interest in			
Mission Corporation (direct)	75.05	73.49	70.53
Skelly Oil Company (indirect, through Mission)	54.43	52.93	50.29
Minority interest in Mission Corporation and Skelly Oil Company	236,820	234,225	237,150
STOCKHOLDERS			
Preferred stockholders			
Number of stockholders	7,289	7,275	7,207
Shares outstanding(3)	1,645,000	1,750,000	1,983,000
Stockholders' equity, $25 per share	41,125	43,750	49,575
Cash dividends	2,027	2,247	2,428
Common stockholders			
Number of stockholders	21,323	21,555	21,138
Shares outstanding(3)	19,038,000	19,697,300	19,985,000
Stockholders' equity			
Amount	1,290,106	1,230,102	1,134,994
Per share(3)	67.76	62.45	56.79
Cash dividends	20,780	7,595	14,544

(1) Years prior to 1968 adjusted for minority interests in Tidewater (merged in 1967) not accounted for on a pooling-of-interests basis.
(2) Based on the weighted average number of shares outstanding during each year, giving effect to the pooling of interests in 1967 and adjusted for stock dividends.

1967	1966	1965	1964	1963	1962	1961
$ 1,165,388	$ 1,236,424	$ 1,200,182	$ 1,145,718	$ 1,118,828	$ 1,100,479	$ 1,063,066
118,166	92,278	74,815	54,058	55,018	47,824	39,644
5.72	4.42	3.53	2.50	2.55	2.19	1.78
118,166	206,918	75,996	65,977	58,927	50,951	39,644
5.72	10.09	3.59	3.09	2.74	2.34	1.78
268,738	242,120	221,580	190,670	194,146	185,574	179,841
13.30	11.98	10.97	9.44	9.61	9.19	8.90
244,179	230,028	180,195	204,380	183,212	151,867	168,174
2.34 to 1	1.95 to 1	2.06 to 1	2.37 to 1	2.27 to 1	1.90 to 1	1.98 to 1
1,115,248	1,019,826	1,088,375	1,051,563	1,042,436	1,052,689	1,061,199
157,033	140,301	116,951	86,269	67,691	70,093	91,866
9,190	53,553	9,713	11,378	27,068	29,999	25,404
16,331	18,969	18,924	16,676	15,947	17,035	27,091
51,011	29,531	21,744	24,651	27,827	13,739	15,924
233,565	242,354	167,332	138,974	138,533	130,866	160,285
1,709,917	1,675,903	1,514,436	1,480,842	1,439,497	1,444,222	1,467,834
139,713	142,700	187,876	234,448	274,846	322,351	349,928
69.72	64.77	61.70	58.84	56.54	55.71	53.33
49.51	46.04	43.39	41.22	39.12	36.02	32.92
228,326	229,730	283,463	279,150	277,963	309,966	337,492
7,085	8,050	8,673	9,247	10,145	10,209	10,659
2,114,014	2,270,048	2,804,515	2,894,560	2,975,594	3,026,689	3,100,789
52,850	56,756	70,113	72,364	74,390	75,667	77,520
2,571	3,008	3,396	3,497	3,595	3,665	3,754
21,205	Not applicable due to merger					
20,199,526	20,201,149	20,201,149	20,201,149	20,201,149	20,201,149	20,204,149
1,073,689	965,114	762,802	691,800	630,918	577,184	529,937
53.15	47.78	37.76	34.25	31.23	28.57	26.23
1,598[4]	1,598	1,598	1,598	1,598	—	—

(3) Represents or based on the number of shares outstanding at each year end, giving effect to the pooling of interests in 1967.
(4) Excludes cash dividends of $5,322,000 paid to common minority stockholders of subsidiaries merged in 1967.

Ten-Year Consolidated Operating Statistics

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

	1970	1969	1968
EMPLOYEES			
Number of employees	13,190	14,177	13,227
Wages, salaries and benefits, thousands of dollars	146,906	137,936	121,020
EXPLORATION AND PRODUCTION			
Net daily production			
Crude oil including condensate, barrels			
California Exploration and Production Division	95,956	91,773	87,792
International Exploration and Production	27,817	25,992	23,541
North American Exploration and Production Division	108,337	100,328	95,541
Saudi Arabian Division	78,590	62,274	63,366
Mission Corporation and Skelly Oil Company	81,482	78,499	80,786
Total crude and condensate	392,182	358,866	351,026
Natural gas liquids, barrels(1)	31,884	29,299	25,977
Total	424,066	388,165	377,003
Natural gas, thousand cubic feet	1,205,017	1,119,924	1,046,936
Net proved reserves(2)			
Crude oil and condensate, thousands of barrels	2,776,000	2,908,000	2,935,000
Natural gas liquids, thousands of barrels(1)	86,000	85,000	96,000
Total	2,862,000	2,993,000	3,031,000
Natural gas, billion cubic feet	5,137	5,334	5,323
Net producing wells owned	12,905	12,948	13,161
Net wells drilled			
Producing	611	248	644
Dry	58	51	90
Total	669	299	734
Net acreage holdings			
Producing	1,190,000	1,216,000	1,219,000
Prospective			
Oil and gas	10,944,000	10,708,000	4,343,000
Minerals	372,000	517,000	424,000
Total	11,316,000	11,225,000	4,767,000
Sales			
Crude oil and condensate, barrels daily	480,506	509,331	465,497
Natural gas, thousand cubic feet daily	1,188,268	1,110,982	1,072,790
MANUFACTURING			
Refinery input, barrels daily			
For own account	187,580	205,676	205,039
For others	37,050	45,275	38,848
Crude oil self-sufficiency ratio, percentage	226.1	188.7	183.9
Gas processing, net(3)			
Natural gas liquids recovered, barrels daily	57,110	53,762	50,971
Natural gas liquids reserves recoverable from plant interests, thousands of barrels	208,000	203,000	213,000
MARKETING			
Sales of petroleum products, barrels daily	258,314	263,692	260,729
Bulk plants and terminals, owned or leased	719	748	759
Service stations, owned or leased	2,289	2,341	2,335

(1) Natural gas liquids production volumes for the 10-year period represent net quantity of liquids recovered from the company's lease interest in wet gas delivered for processing. No reduction has been made in such quantities for the portion retained by gas processing plants for extraction of liquids. Natural gas liquids reserves are reported on the same basis. Reported reserves in reports prior to 1969 generally excluded the volumes to be retained by the processor.

(2) Prior to 1968 volumes include only Getty Oil and wholly owned subsidiaries. Net proved reserve estimates are principally those of DeGolyer & McNaughton, with minor amounts in 1965 and prior years included based upon estimates of company engineers. Skelly Oil Company and Mission Corporation reserve estimates prior to 1968 on a comparable basis are not available.

1967	1966	1965	1964	1963	1962	1961
13,047	13,074	14,840	14,703	14,732	15,056	15,258
110,699	121,176	122,043	118,785	118,324	117,264	118,417
85,025	76,841	64,238	48,986	46,789	46,055	45,630
26,441	22,710	16,389	15,151	12,364	10,690	9,332
91,733	83,674	74,759	70,652	73,396	72,852	71,610
68,847	82,756	90,444	93,156	90,759	92,219	78,638
75,604	70,215	64,861	63,998	63,165	62,798	64,310
347,650	336,196	310,691	291,943	286,473	284,614	269,520
24,358	22,949	23,190	23,613	23,275	23,666	23,308
372,008	359,145	333,881	315,556	309,748	308,280	292,828
972,022	896,232	860,267	826,682	776,240	718,209	706,090
2,547,000	2,436,000	2,285,000	1,681,000	1,514,000	1,453,000	1,574,000
60,000	60,000	46,000	46,000	43,000	46,000	48,000
2,607,000	2,496,000	2,331,000	1,727,000	1,557,000	1,499,000	1,622,000
3,403	3,368	3,194	3,259	3,284	3,411	3,569
13,209	13,172	13,023	12,575	12,159	12,222	12,292
532	519	347	324	361	328	387
92	88	88	84	77	89	79
624	607	435	408	438	417	466
1,187,000	1,156,000	1,129,000	1,077,000	1,064,000	1,008,000	1,019,000
3,308,000	3,932,000	4,281,000	4,492,000	5,410,000	6,669,000	7,204,000
357,000	219,000	109,000	186,000	2,155,000	13,000	4,000
3,665,000	4,151,000	4,390,000	4,678,000	7,565,000	6,682,000	7,208,000
489,861	425,063	348,546	306,676	279,933	260,462	230,588
1,000,058	925,499	893,534	865,128	821,488	758,279	730,614
209,512	272,734	304,840	311,995	318,577	339,962	360,026
38,707	37,318	34,052	27,536	40,860	42,959	8,033
177.6	131.7	109.5	101.1	97.2	90.7	81.3
39,998	37,666	37,741	36,527	35,677	35,072	35,127
—	—	—	—	—	—	—
259,641	321,887	347,437	349,007	343,807	358,032	374,358
769	765	995	997	992	999	1,002
2,307	2,618	4,717	4,846	4,982	4,977	5,003

(3) Gas processing data relate to plants in which the company has proprietary interest. Data given represents the plant production and natural gas liquids reserves committed to the plant multiplied by the company plant ownership interest. Reserve estimates prior to 1968 on a comparable basis are not available. These plants extract natural gas liquids from proprietary lease production and from gas which is committed to the plants under contracts of varying terms with other gas producers. The contracts with other gas producers typically allocate 25 to 50 percent of the liquids to the interest of the producers. Neither the reported production nor the reserves have been reduced for the portion allocable to the producer of the gas under the terms of the purchase contracts. Only a minor portion of these reserves are recoverable from company lease interests. The portion of net daily production and net proved reserves attributable to proprietary lease interests is also included in the Exploration and Production category above.

The Challenge: To Provide Energy

This nation is on the threshold of an energy shortage.

Americans consume energy at an amazing rate. The United States, with less than six percent of the world's population, uses more than 33 percent of the world's daily output of energy to power its factories, businesses, homes and means of transportation.

Not only is our rate of energy use high, it is increasing at a faster pace than that of most nations. Crude oil and natural gas more than ever are filling the gap between the constantly growing demand for energy materials and ready sources of supply. But not without consequences.

As it has developed as the cornerstone of our comfort, enjoyment of life, economic progress, industrial prosperity and national security, petroleum has emerged as the supply source of 75 percent of the energy we use in the United States. To meet an energy demand which is expected to double by 1985 and still maintain a minimum safe inventory of proved petroleum reserves, the oil industry in the United States must find and develop 105 billion barrels of new oil and 560 trillion cubic feet of new gas. It is estimated that the investment required to develop such reserves between now and 1985 will total $150 billion.

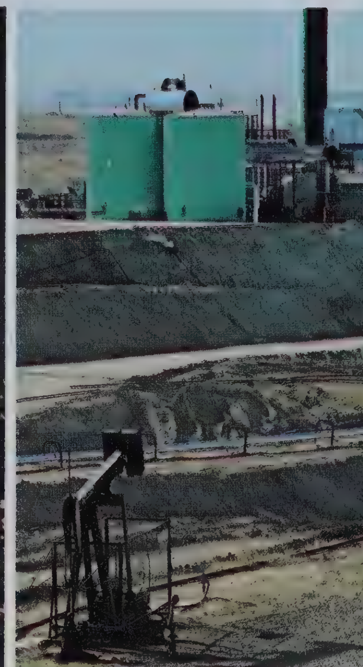
During the decade just past the petroleum industry in the United States was hampered by a cost-price squeeze which discouraged exploratory efforts for new reserves. In the years ahead, the nation faces the need for restoring the quality of our environment, which cannot be undertaken without acknowledging the costs involved.

As it has throughout its history, the petroleum industry continues to provide the leadership and definition of objectives which can provide the resources to meet the urgent energy problem and an equitable balance of clean air and water. In return the petroleum industry seeks recognition of the incentives which will encourage domestic exploration for petroleum and accomplish all environmental goals.

The search for petroleum carries to the top of the world in the half light of the midnight sun, where the Beechey Point No. 1, an Alaska North Slope wildcat in which Getty Oil held a 24.5 percent working interest, was drilling at year-end 1970. Early in 1971 the well was plugged and abandoned.

Left: The company's [illegible]-barrels-per-day Delaware Refinery converts crude petroleum into usable energy products as high-quality Getty Premium gasoline, and [illegible] jet fuels and [illegible] for markets on the Eastern Seaboard. The most advanced air and water quality control facilities known to the industry, were incorporated into the refinery when it was built in 1957, and since that time [illegible] million has been invested to maintain the highest degree of environmental quality control possible.

Below: To power homes, industry and transportation, an estimated 73 quadrillion BTU's of energy were consumed in the United States in 1970 — 75 percent supplied by crude oil and natural gas.



Top: This new 290 million BTU per hour generator provides energy as steam for thermal recovery oil operations in the San Joaquin Valley, California.

Center: Carrying crude oil to Japan, the [illegible]-deadweight-ton SS George F. Getty, of the company's international tanker fleet, plows through a typhoon in the Indian Ocean.

Bottom: The new Getty trademark welcomes customers at more than [illegible] service stations on the Eastern Seaboard.

Left: Getty Oil safely produces crude oil and natural gas just a few thousands yards from the winter home of the rare whooping crane at the Aransas National Wildlife Refuge, on the Gulf Coast of Texas.

Right: And a few hundred yards from the Forum sports arena in metropolitan Los Angeles, the company produces crude oil and natural gas from fee properties located in the heart of a popular recreational complex. Getty Field, a well-equipped Little League baseball park, is on land made available by the company. World-famous Hollywood Park race track adjoins the company property.

Energy, readily available and consistently dependable, has been the mainstay of economic development in the United States. Striving to work safely and compatibly in the environment, Getty Oil has contributed effectively to the achievement of a better life, where power is ready to assist everyone.

Anticipating key changes in the patterns of petroleum exploration and production activities in the coming decade, particularly on the North American continent, Getty Oil Company in 1970 restructured its worldwide operating organization.

The former Mid-Continent Division, based in Houston, was renamed the North American Exploration and Production Division. This division will continue to be responsible for all exploration and production activities onshore and offshore in North America, exclusive of California and West Coast offshore.

The former Western Division, based in Los Angeles, was renamed the California Exploration and Production Division. It continues to be responsible for the company's thermal and waterflood secondary recovery operations in California. Petroleum exploration activity continues on a modest scale onshore in California, with emphasis directed to the company's fee and leasehold interests.

A new global operating unit was established under Corporate Headquarters and named International Exploration and Production. This unit is coordinating an orderly expansion of the company's petroleum exploration investments overseas, particularly in Indonesia, Africa, the North Sea and South America, and is monitoring activities of the Saudi Arabian Division in the Saudi Arabia-Kuwait Partitioned Neutral Zone. In addition the unit is responsible for minerals exploration and production in North America and overseas, with the goals of increasing the company's position in uranium reserves and finding and developing other mineral deposits.

The former Supply and Distribution and International divisions were consolidated into a new International Division, responsible for overseas crude oil supply and distribution, the international tanker fleet, and refined products marketing and manufacturing. The division also coordinates crude oil supply and distribution activities of the domestic divisions.

The former Eastern Division was renamed the North American Marketing and Manufacturing Division. Its responsibility remains the development of retail and wholesale sales of refined products in 11 Eastern Seaboard states, sales of lubricating products in Canada, and the operation of the Delaware Refinery.

The Saudi Arabian Division continues to be responsible for the exploitation of reserves in the Partitioned Neutral Zone, consistent with profitable sales.

Petroleum Exploration

Getty Oil participated in the drilling of 6.42 net discovery wells in 1970 — 5.92 onshore and .5 offshore; all were in the United States. In addition, in the United States, the company participated in 24.68 net wells abandoned as commercially not productive. Overseas, a wholly owned subsidiary participated in the drilling of two gross wells, with .5 net interest, abandoned as commercially not productive.

Significant new field discoveries were in the Evetts field, West Texas; the Bartell Pass field, South Texas; the West Nancy field, Mississippi; and the Jeddo field, the company's first discovery in Alabama.

The No. 1 Rufus Garrett 12-7 was completed in the Jeddo field, Monroe County, Alabama, on December 8, continuing the North American Exploration and Production Division's successful efforts along the Jurrasic trend. The well, drilled to a total depth of 14,447 feet, was perforated in the interval from 14,046 to 14,060 feet. On a 24-hour test after acidizing, the well flowed through a 1/4-inch choke at the rate of 541 barrels per day of 39 degree gravity crude oil. Getty Oil has a 100 percent working interest in the well and 3,200 net acres in the area.

In February, 1970, the company announced the discovery of the M. M. McCoy 6-10 No. 1, West Nancy field, Clarke County, Mississippi, a Jurrasic oil discovery which logged the highest potential ever recorded in the state. On a seven-hour test, the well flowed through a 3/4-inch choke at the rate of 2,632 barrels per day of 41 degree gravity crude oil. Perforated intervals were from 13,845 to 13,858 feet and from 13,864 to 13,884 feet. The well is in a drilling unit in which Getty Oil holds a 48.9 percent interest and Skelly Oil Company holds a 23.8 percent interest. Getty Oil owns 1,900 net acres in the area.

In Aransas County, Texas, Getty Oil discovered the Bartell Pass gas field in September with the No. 1 Texas State Tract 118. The well was drilled to a total depth of 11,830 feet and was perforated in the Frio sands from 9,751 to 9,760 feet and from 11,204 to 11,255 feet. At the higher level, on a 24-hour test, the well flowed through a 9/64-inch choke at the rate of 1.9 million cubic feet per day of natural gas and 81 barrels per day of condensate. From the deeper perforations, the well flowed through a 10/64-inch choke at the rate of three million cubic feet per day of gas and 72 barrels per day of condensate. Getty Oil owns an 83 percent working interest in the discovery, and holds 3,100 net acres of land in the vicinity.

In May the No. 1 Haley Unit, a West Texas exploratory well in which Getty Oil holds a 19.44 percent interest, was dually completed in the Siluro-Fusselman and Ellenburger formations to establish a new natural gas field in the Triple trend. From Siluro-Fusselman perforations between 17,808 and 18,007 feet, the well flowed dry gas through a 1/2-inch choke at the rate of 14.4 million cubic feet per day. From the Ellenburger perforated interval between 20,330 and 20,638 feet, the well flowed dry gas through a 1/2-inch choke at the rate of 15.1 million cubic feet per day. The company holds a 19.44 percent working interest in the 8,320-acre unit formed for drilling this well. Skelly Oil owns an 11 percent interest in the well and the unit.

Offshore Louisiana and Texas in the Gulf of Mexico, the company's exploration and production activities are principally carried out through its 25 percent interest in each of two offshore operating groups. CAGC, the group operating off Louisiana, is one of the pioneers in offshore work on the North American continent, having commenced its first seismic program in 1946 and completed its first exploratory success in 1953. The CSSG group, operating off Texas, completed its first successful exploratory well in 1967.

On December 15, 1970, the federal government offered 127 tracts at its general lease sale of areas in the Gulf of Mexico offshore western Louisiana. Getty Oil, with its working interest participants in CAGC, was a successful bidder on Eugene Island Block 307 E/2 and acquired 625 net acres (2,500 gross) at a net cost of $1,026 per acre or slightly more than $641,000 ($2.6 million gross).

In exploration offshore during 1970, the company participated in 12 exploratory wells, with three in CAGC operations of particular significance. Southwest of the Mississippi River Delta, the West Delta Block 94 No. 3 encountered 77 feet of net effective oil and gas pay in two Miocene sands along a fault closure previously defined as highly prolific from three producing platforms. Farther to the west, south of Vermilion Bay, the Eugene Island Block 266 No. 4 test encountered 140 feet of net effective gas pay to establish a significant productive area not currently being drained by existing facilities in the area. Nearby, the Eugene Island Block 217 No. 2 encountered 65 feet of net effective oil and gas pay in five sands along the eastern flank of the Block 205 salt dome.

In Alaska, where interests in 18 tracts totaling 8,568 net acres on the North Slope were acquired in 1969, Getty Oil in 1970 participated with others in joint oil and gas exploration activities in six basins. These activities involved the acquisition of onshore and offshore geophysical and geological information from the Gulf of Alaska, the Bristol Bay area, the Bering Sea and Norton Sound area, the Chukchi Sea area, the Yukon River Delta area and the Kandik Basin area. Except for the operations in the Bristol Bay area and Gulf of Alaska, Skelly Oil participated in these exploration activities. As a result of the Kandik Basin operations, Getty Oil purchased federal lease applications covering 93,000 net acres and Skelly Oil acquired federal lease applications covering 113,000 net acres in the basin. If and when leases are issued on the 93,000 and 113,000 acres, an agreement calls for an exchange of interests by Skelly Oil and Getty Oil giving each party an undivided one-half interest in the other party's acreage. In addition Getty Oil purchased a one-half interest in 67,200 acres of federal oil and gas lease applications previously acquired by Skelly Oil in the Yukon River Delta.

In Canada, subsidiaries of Getty Oil and Skelly Oil each obtained the right to acquire, by performance of certain work, a one-sixth interest in a 10.3-million-acre block of exploration permits in the Gulf of St. Lawrence area. The permits cover offshore areas in the gulf and onshore areas in the provinces of Prince Edward Island and Nova Scotia. In an area offshore Prince Edward Island's East Point, the operator commenced drilling a test well during the second half of 1970. Late in the year, this well was temporarily suspended because of weather.

Elsewhere in Canada, Getty Oil, operating through various wholly owned subsidiaries, and Skelly Oil, operating through one wholly owned subsidiary, entered into joint exploration agreements covering areas of Yukon Territory and the Northwest Territories, and portions of northeastern British Columbia and Northwestern Alberta. As a result of operations carried out under these agreements, Getty Oil and Skelly Oil each has acquired an undivided one-half interest in 568,211 gross acres of permits in the Bell River and Johnson Creek areas of the Eagle Basin, Yukon Territory, and an opportunity to acquire an undivided one-quarter interest each in permits covering 796,775 gross acres located in the Arctic Red area of the Northwest Territories.

Through one of its Canadian subsidiaries, Getty Oil holds an undivided one-half interest with another company in exploration permits covering 571,297 gross acres on Axel Heiberg Island, in the Arctic Islands, and an option to acquire an undivided one-quarter interest in 1,021,740 acres of exploration permits in the Nansen Sound and Eureka areas of Axel Heiberg Island and Ellesmere Island.

The International Exploration and Production unit coordinates the company's interest in a drilling program in the 41,000-square-mile Block B area of the South China Sea off Indonesia. A wholly owned subsidiary of Getty Oil holds a 25 percent interest in a production sharing contract between the Indonesian government oil company, Pertamina, and a subsidiary of Continental Oil Company. The first test well was located about 100 statute miles east of Natuna Besar Island, where the drilling vessel Discover III commenced operations in September. At year-end 1970 two test wells had been abandoned prior to reaching their objectives because of drilling difficulties encountered in shallow gas zones. Early in 1971, a third test well was abandoned because of similar mechanical difficulties and a fourth test reached its objective, but was abandoned as a dry hole.

Petroleum Production

Worldwide crude petroleum liquids production of Getty Oil Company and its wholly owned subsidiaries in 1970 increased 10.7 percent over 1969, setting a company record for the 12th consecutive year. In addition to the production statistics listed below, Getty Oil holds equity interests in petroleum liquids and natural gas amounting to 75.05 percent of Mission Corporation's production and 54.43 percent of Skelly Oil Company's production. In 1970, the net equity interest of Getty Oil in consolidated worldwide production, exclusive of the minority interest of Mission and Skelly Oil, amounted to 382,000 barrels per day of petroleum liquids and 996 million cubic feet per day of natural gas. The production statistics for Mission are reported on Page 33 and the production statistics for Skelly Oil appear on Page 34.

WORLDWIDE NET DAILY LIQUIDS PRODUCTION

	1970	1969
Crude oil and condensate, barrels	311,000	281,000
Natural gas liquids, barrels	20,000	18,000
Total petroleum liquids, barrels	331,000	299,000

The total 1970 petroleum liquids production in the United States and Canada rose 6.7 percent over 1969. Again in 1970, as in 1969, these statistics convey the result of outstanding technical accomplishments on the part of the company's production and exploration personnel.

NET DAILY LIQUIDS PRODUCTION
UNITED STATES AND CANADA

	1970	1969
Crude oil and condensate, barrels	204,000	192,000
Natural gas liquids, barrels	20,000	18,000
Total petroleum liquids, barrels	224,000	210,000

Natural gas production in the United States and Canada improved 4.2 percent in 1970 as compared with 1969, marking the 20th consecutive annual record.

NET DAILY GAS PRODUCTION UNITED STATES AND CANADA

	1970	1969
Natural gas, million cubic feet	746	716

Getty Oil Company participated in the completions of 490.66 net oil and gas development wells in 1970. The North American Exploration and Production Division completed 120.39 net oil development wells and the California Exploration and Production Division completed 357 net oil development wells, for a total of 477.39 net oil development wells. In the North American Exploration and Production Division, 11.67 net gas development wells were completed and in the California Exploration and Production Division 1.6 net gas development wells were completed, for a total of 13.27 net gas development wells. The company participated in the drilling of 9.25 net development wells abandoned as commercially not productive; 8.25 in the North American Exploration and Production Division and one in the California Exploration and Production Division.

In the North American Exploration and Production Division, total petroleum liquids production records were set in 1970 for the sixth consecutive year, as volumes averaged 126,000 barrels per day. Of the total production, 108,000 barrels per day were crude oil and condensate and 18,000 barrels per day were natural gas liquids. Natural gas production also attained a new high in 1970, for the seventh consecutive year, with an average of 706 million cubic feet per day.

Following its 1968 and 1969 successes along the Jurrasic trend in Mississippi, the North American Exploration and Production Division continued during 1970 with significant additional field development in the state, including 12 wells completed in the West Nancy field, Clarke County, which was discovered by the company in February, as reported in detail on Page 24. With an average 52.97 percent working interest in the 12 wells, Getty Oil, the operator, at year end was producing 8,500 barrels per day of crude oil from this field. Skelly Oil also has interests in eight wells in this field.

In another important 1970 Mississippi field development program, the company participated in drilling an additional 10 wells at Pachuta Creek and two stepout wells at West Pachuta Creek, also located in Clarke County. From the discovery of the Pachuta Creek field in 1968 to year end 1970, Getty Oil had participated in 39 Smackover formation completions and, with an average 26.77 percent working interest, was producing 8,000 barrels per day of oil from the field.

In Aransas County, South Texas, the company, as operator, at year end had completed two confirmation wells to the September, 1970, gas field discovery in the Bartell Pass area, which is covered in detail on Page 24. With an average 83.33 percent interest in the three wells, the company at year end had a rated production capacity of 25 million cubic feet per day of natural gas and 750 barrels per day of condensate from this area.

In the Aransas Bay field, Aransas County, Texas, 38.5 billion cubic feet of gas and 2.2 million barrels of condensate were added to the North American Exploration and Production Division's reserves at a cost of $3.1 million through the purchase of a portion of the working interest in five gas and condensate wells. As a result of other transactions in 1970, the company now holds an 8.5 percent working interest and a 6.4 percent net revenue

interest in the 15,052 acre Cogdell Canyon Reef unit and a 9.5 percent interest in the Fuller gasoline plant which processes unit production. The interest held by the company was acquired at a cost of $12.8 million and added an estimated 8.8 million net equivalent barrels of oil to reserves. In 1970 Skelly Oil also acquired an 8.5 percent working interest and a 6.4 percent net revenue interest in the Codgell Canyon Reef unit, and a 9.5 percent interest in the Fuller gasoline plant.

In CAGC development operations offshore Louisiana, drilling activities in the Vermilion Block 120, West Cameron Block 192 and Ship Shoal Block 176 fields were completed, while field development continued in the Grand Isle Block 43, Grand Isle Block 47 and West Delta Block 30 fields. Offshore Matagorda County, Texas, in the Brazos A-76 Block, two gas wells were completed by the CSSG group during the year.

The first North Slope development well in which the company holds an interest — the No. 1 State 3-10-3 — was drilled on Tract 56 in Alaska's Prudhoe Bay district during 1970. The well, in which Getty Oil holds a 31 percent working interest, was drilled to a total depth of 11,400 feet and temporarily suspended. On a two-hour test in the Permo-Triassic Sadlerochit sand, the well flowed through a one-inch choke at the rate of 2,030 barrels of 23.2 degree gravity clean oil per day. The gas/oil ratio was 321:1. As defined by present information, which is limited, Getty Oil's portion of reserves in place at 1970 year end is estimated by company engineers to be approximately 125 million barrels in the Sadlerochit reservoir. During 1970 the 11 companies with interests in the Prudhoe Bay field conducted discussions on a unitization proposal. Pending outcome of the continuing unitization negotiations and other developmens, including transportation, the producible portion of these reserves cannot be determined at present. Estimates of the total net proved reserves do not include any portion of the foregoing in-place reserves and the company's North Slope acreage is being carried as prospective acreage. In addition, this well encountered Cretaceous sands which indicated a possibility of oil in four intervals between 3,916 and 5,860 feet. A drillstem test was conducted in what appeared to be the most likely productive interval, from 4,063 to 4,080 feet, and 10.7 degree gravity oil flowed into the well bore but not to the surface. A sample of this heavy oil was brought to the surface with the recovery of the drillstem test tool and it practically solidified. This low-gravity crude oil is not considered to be commercially recoverable at present and no reserve values were estimated.

California Exploration and Production Division petroleum liquids production increased 4.4 percent in 1970 to a record 98,000 net barrels per day. This was the 12th consecutive year the division had set a production record. Natural gas production increased 1.4 percent to 38.8 million cubic feet per day.

Secondary Recovery Programs

The North American Exploration and Production Division had substantial investments in 223 secondary recovery or pressure maintenance projects in 1970 and was operator of 96.

An expansion of the successful Bellevue *in situ* combustion, or fireflood, project in Boosier Parish, Louisiana, was underway at year end 1970. The enlargement will encompass an additional 40 acres of the project.

Elsewhere in the North American Exploration and Production Division, other secondary recovery projects continued to respond favorably during 1970. Development of the 6,789-acre Dean A unit, Cochran County, Texas, was completed and by year end oil production had increased 700 barrels per day to a rate of 2,100 barrels per day. Favorable response continued in the Denver and SACROC unit water injection projects in West Texas, in the Cushing field waterflood projects in Creek County, Oklahoma, and in the South Keensburg unit of Wabash County, Illinois.

The California Exploration and Production Division participated in 17 secondary recovery projects at year end 1970 and was the operator of three.

Reflecting the scope of its secondary recovery activity, the California Exploration and Production Division was the most active unit in companywide drilling programs during the year, with a total of 369 wells drilled — 287 in thermal recovery, 36 in waterflood, 34 in primary development and 12 exploratory. In addition 219 steam and water injection wells were drilled. This placed the company as the most active in California drilling during the year, registering 30 percent of the total 2,100 wells drilled in the state by all companies.

In the San Joaquin Valley district of California, the company has been a leader in thermal recovery of heavy crude oil by cyclic steam injection since 1964. Under the cyclic steam injection method, energy in the form of steam is injected through a well bore into the producing formation to heat the oil in place. After a stimulation period, crude oil is produced from the same well bore. A more recent improvement in the thermal recovery technique is known as steam displacement. This procedure continuously forces steam into the oil-bearing formation through injection wells to heat the oil in place and push it toward producing wells.

The continuing expansion of the steam displacement program in the Kern River field accounted for 216 new steam injection wells and 106 new producing wells. In addition 50 new wells were drilled in the Kern River field in expansion of the cyclic steam stimulation program.

In support of the Kern River field displacement program expansion, 13 new 50-million-BTU-per-hour steam generators and the company's first 240-million-BTU-per-hour steam boiler plant were placed in operation during the year.

In California's Ventura Avenue field, Ventura County, 35 wells were completed in the development of the full-scale waterflood in certain horizons of the C-Block unit, a 1,300-acre project which moved into its operational phase on July 1 following the successful completion of a small pilot waterflood. At year end more than nine million barrels of water had been injected into the C-Block horizons which are a part of the project.

Natural Gas Processing

Gas processing plant capacity owned by Getty Oil in the North American Exploration and Production Division increased by 133 million cubic feet per day, or 22 percent, in 1970. The new capacity came from expansions of four plants in Texas and Louisiana in which the company holds varying interests, and from an interest acquisition in the Fuller gasoline plant, Scurry County, Texas. At year end net gas processing plant capacity of the division stood at 737 million cubic feet per day. Net recovery of natural gas liquids from that capacity was 19,351 barrels per day and net recovery of sulfur was 73 long tons per day. Nine processing plants are operated by the division and, in addition, the company holds interests in 21 plants operated by others.

The second phase of the company's investment in a natural gas liquids pipeline system and related fractionation plant facilities, in southern Louisiana, was completed in 1970. At Napoleonville, in Assumption Parish, construction of the new 50,000-barrels-per-day fractionation plant was completed in May, 1970. Also completed at Napoleonville were five underground storage wells with a total capacity of one million barrels of gas liquids. Prior to July, 1970, Getty Oil Company owned a one-third interest in the first phase and a 25 percent interest in the second phase of the entire system. In July, 1970, Dow Chemical Company, an owner of a 25 percent interest in the second phase, also acquired a 25 percent interest in the first phase from the three first-phase owners. Accordingly, Getty Oil's interest in both phases at 1970 year end was 25 percent.

In the California Exploration and Production Division, gas processing capacity was 83.2 million net cubic feet per day at year end.

NET OIL AND GAS ACREAGE UNITED STATES AND CANADA

	1970	1969
Producing	462,000	459,000
Prospective	[illegible]	1,271,000
Total	[illegible]	[illegible]

International Production

Getty Oil has crude oil production interests in the Saudi Arabia-Kuwait Partitioned Neutral Zone, in Iran and in Algeria. Marketable natural gas is not produced by the company in its international operations.

NET DAILY PRODUCTION OUTSIDE NORTH AMERICA

	1970	1969
Crude oil, barrels	107,000	89,000

Saudi Arabian Division

Getty Oil Company has held an undivided one-half interest in the petroleum exploration, development and production operations in the Saudi Arabia-Kuwait Partitioned Neutral Zone since 1949, under the terms of a concession agreement with the Government of the Kingdom of Saudi Arabia. The company's cumulative share of field crude oil production since operations started in 1954 totaled 379 million barrels at the end of 1970. Getty Oil owned 263 net wells of the 525 total wells in the Partitioned Neutral Zone at year end.

The company's share of production in 1970 averaged 78,600 barrels per day, compared with 62,300 barrels per day in 1969.

Iran

Getty Oil's interest in oil production of the Iranian Consortium averaged 24,400 barrels per day in 1970, compared with 21,400 barrels per day in 1969.

As a result of 1971 negotiations in Tehran, Iran, between the Arabian Gulf states of the Organization of Petroleum Exporting Countries and producing companies, Getty Oil became obliged to increase its per-barrel tax and royalty payments to Iran, effective February 15, 1971. Subsequently, on February 24, 1971, the company received notice from the Government of the Kingdom of Saudi Arabia that the provisions of the Tehran agreement would apply to the Getty Oil Company concession in the Partitioned Neutral Zone. As of March 15, 1971, no action had been taken on the notice, pending a meeting with representatives of the Saudi government for discussions.

Algeria

Net crude oil production from the company's interest in the Rhourde el Baguel and Messdar fields amounted to 3,500 barrels per day in 1970, compared with 5,000 barrels per day in 1969.

NET OIL AND GAS ACREAGE OUTSIDE NORTH AMERICA

	1970	1969
Producing	52,000	52,000
Prospective	8,517,000	8,517,000
Total	8,569,000	8,569,000

Reserves and Drilling Activity

The net worldwide crude oil and condensates, natural gas liquids and natural gas reserves of Getty Oil Company and its wholly owned subsidiaries in 1970, principally estimated by De Golyer & McNaughton, were located in North America, Algeria, Iran and the Partitioned Neutral Zone.

NET PROVED RESERVES UNITED STATES AND CANADA*

	1970	1969
	(Thousands of barrels)	
Crude oil and condensate	1,392,000	1,404,000
Natural gas liquids	65,600	64,000
Total petroleum liquids	1,457,600	1,468,000
	(Billion cubic feet)	
Natural gas	3,053	3,354

*Excluding Alaska

NET PROVED RESERVES OUTSIDE NORTH AMERICA

	1970	1969
	(Thousands of barrels)	
Crude oil and condensate	992,000	1,078,000

TOTAL DEVELOPMENT AND EXPLORATORY WELLS DRILLED

	DEVELOPMENT		EXPLORATORY	
	1970	1969	1970	1969
Gross wells	874	426	64	60
Net wells	499	217	32	25
Crude oil liquids	477	183	5	1
Natural gas	13	17	2	[illegible]
Dry holes	9	17	25	20
Productive ratio	98%	92%	22%	20%

Oil Shale Reserves

In 1970 Getty Oil, which owns in fee 26,550 acres of oil shale properties and lands suitable for production and support facilities in Northwestern Colorado, joined with nine other oil shale landowners and five public agencies in developing a computer model capable of simulating water flow in the Colorado and White river basins. When completed, the model will provide a basis for predicting water availability at any assumed period of river flow. In addition it will assist in planning for future processing facilities. While it is not possible to forecast when commercial production of shale oil may commence, it is anticipated that production facilities will require a reliable water supply.

It is estimated that a total of 4.2 billion barrels of shale oil reserves are in place on company property in the Mahogany zone, which comprises the richest section of the oil shale zone that underlies a large portion of Northwestern Colorado. The company estimates that the Mahogany zone underlies 21,300 acres of its total holdings, relatively close to the surface.

Minerals

In 1970 Getty Oil expanded its North American minerals exploration activity into Canada and additional areas of the United States. In North America, in various projects with Skelly Oil and others, Getty Oil continues to place emphasis on uranium and specific base metals.

Getty Oil opened minerals exploration offices in Toronto, Ontario, Canada, and in Albuquerque, New Mexico, in 1970.

Uranium mining and milling operations continued in 1970 in the Shirley Basin, Wyoming, where the company discovered substantial uranium mineralization in several blocks of land, owned two-thirds by Getty Oil and one-third by Skelly Oil, in 1958. KGS-JV, the mining operation at Shirley Basin, removed 375,500 tons of ore during 1970. Petrotomics Company, which operates a 1,500-ton-per-day mill, dedicated to processing 1,000 tons per day for KGS-JV and 500 tons per day separately for Kerr-McGee Corporation, produced 1,809,000 pounds of U_3O_8 in concentrate. KGS-JV and Petrotomics both are operated by Getty Oil. Getty Oil holds a one-third interest in each KGS-JV and Petrotomics; Skelly Oil holds a one-sixth interest in each; and Kerr-McGee holds a one-half interest in each.

NET MINERALS ACREAGE, NORTH AMERICA

	1970	1969
Producing	596	532
Prospective	371,661	395,455
Total	372,257	395,987

Real Estate

During 1970 Getty Oil continued efforts to realize the long-term profit opportunities from increased utilization of its 90,000 acres of California fee land, concentrated primarily in Los Angeles, Ventura, Orange, Santa Barbara, Kern and Fresno counties. The real estate holdings include 10,600 acres of urban and suburban property within 60 miles of Los Angeles and 40,000 acres in farming areas in the eastern and western sections of the southern San Joaquin Valley in Kern County. The agricultural fee acreage in California was acquired at an average cost of $96 per acre, beginning in the early 1900's, in conjunction with petroleum exploration and production operations.

On the west side of the San Joaquin Valley 12,300 acres, under lease to four separate tenant farmers, were planted in cotton, sugar beets and seed alfalfa in 1970. Test plantings of olives and pistachio nut trees, comprising a total of 210 acres, continued to undergo evaluation in a program studying the practicability of orchards in the long-term development of diversified farming.

The east side lands, which are located northeast of Bakersfield, are particularly suited for orchard operations. The company owns 1,500 acres of land planted with citrus and almond groves which are operated under farm management agreements and leases. An additional 911 acres are operated by the Minnehoma Land & Farming Company, a Getty Oil subsidiary.

Studies continued during 1970 on preparation of a land-use plan for the development of the company's 10,300-acre Tapo Ranch, which is situated 40 miles northwest of central Los Angeles near Simi Valley, Ventura County.

Marketing

The conversion of 2,358 Eastern Seaboard service stations to the new Getty marketing identification by the North American Marketing and Manufacturing Division — a program which was launched September 10, 1969, with the raising of the first sign in Philadelphia — was completed on June 24, 1970. Of the total conversions, 2,108 were accomplished in the 1970 period.

An integral part of the program was the introduction of the Getty Premium marketing strategy, a premium-only gasoline sales program backed by the capability of the Delaware Refinery to manufacture a high volume of high-quality premium gasoline. Getty Oil was the first major marketer on the East Coast to develop an exclusively premium gasoline sales program.

In addition to changing signs, new gasoline pump decals, credit cards, service station and truck painting schemes, dealer uniforms, and TBA and lube packaging designs were introduced.

During the entire conversion project, 2,087 new Getty pole signs were erected, 2,077 new building signs were installed, 1,518 buildings and 6,140 pumps were painted.

In other activity, the North American Marketing and Manufacturing Division continued its service station acquisition, modernization and beautification programs. The projects encompassed 52 stations.

The International Division, through wholly owned subsidiaries operating in seven nations and Veedol lubricants distributors in 60 countries, continued to improve the efficiency of distribution systems and expand sales volumes in key marketing areas. Included in 1970 International Division capital expenditures programs were construction, expansion or modernization projects for Getty Oil (Philippines) Inc., Huiles Veedol France and Veedol G.m.b.H., West Germany.

Manufacturing

At year-end 1970, a significant part of the first-phase construction had been completed on the new $29 million hydrocracker project at the Delaware Refinery.

The main electrical ductwork was completed. The water system for fire protection was completed and tested, and awaiting delivery of monitors and hydrants. Eighty-five percent of the hydrocracker pumps had been installed on foundations. The structural steel pipeway was completed. The 17,000-barrels-per-stream-day hydrocracker is scheduled to begin operations in 1971.

In February and March, the 42,000-barrels-per-day fluid coker was shut down for 34 days while undergoing repairs to correct operating problems. Repairs were made to burner cyclones, fractionator trays, and tubing in the carbon monoxide boiler.

After 42 months of continuous operation, the 106,000-barrels-per-day catalytic cracker was shut down April 1 for routine maintenance turnaround. The vessel was out of service for 77 days, the first extended shutdown of the catalytic cracker in its 14 years of operation.

UNITED STATES NET DAILY THROUGHPUT

	1970	1969
Crude oil, barrels per day, at Delaware Refinery for Getty Oil account and others	115,000	119,000

Nuclear Fuel Services, Inc.

The program to revamp and expand Nuclear Fuels Services' West Valley, New York, fuel reprocessing plant continued in 1970. Major items completed under this program include an improved ventilation system, a new maintenance shop and installation of an improved crane to facilitate handling of fuel assemblies. Work was also underway on the off-gas treatment and acid recovery facilities. Plans were announced in 1970 and construction was started on a new $800,000 low-level waste facility. Although low-level waste discharged from the West Valley plant has been significantly below the permissible radioactive maximum permitted by the Atomic Energy Commission and the New York State Department of Health, the new facility will further reduce the discharge of low-level radioactivity in liquid effluents.

NFS announced the signing of a $20 million long-term fuel reprocessing contract with Consumers Power, a Michigan utility. This contract will provide material for 15 percent of the expanded capacity at the West Valley plant by the late 1970's.

NFS launched a major program in 1970 to develop the capability for supplying fabricated fuel assemblies to utility company power reactors. Several key engineering personnel have been added to NFS staff for this program and the Reactor Fuels Division moved into offices in Rockville, Maryland. As part of expanding operations, NFS also moved its corporate headquarters into new offices in Rockville.

In 1970 and early 1971, Getty Oil and Skelly Oil acquired additional authorized shares of NFS. As of February 28, 1971, Getty Oil held 83.4 percent and Skelly Oil held 16.6 percent. Skelly Oil has the right to acquire up to a one-third interest in NFS.

Supply and Distribution

On February 27, 1971, the SS Wafra, on its third voyage following its 1970 jumboization from 49,800 deadweight tons to 70,062 deadweight tons, began taking water in its engine room while steaming off Cape Agulhas, the southernmost tip of Africa. The vessel was bound from Ras Tanura, Saudi Arabia, to Capetown, South Africa, with a cargo of crude oil. The ship lost power and drifted aground, despite separate efforts by a Russian freighter, smaller vessels and tugs to prevent the grounding. Cargo tanks were breached as the Wafra was pounded against a rocky reef by heavy seas, and an oil spill affected several miles of coastline. The company cooperated fully with the South African government, which directed towage and cleanup efforts. On

March 8, under government direction, the ship was refloated and towed about 200 miles south, where it was sunk on March 12 after bombardment by the South African Air Force. Both the vessel and the cost of cleanup were fully covered by insurance.

A construction contract was signed in July, 1970, for the second 222,000-deadweight-ton tanker in the company's subsidiary international fleet. The keel of the vessel will be laid in 1972 and it is scheduled to be delivered in mid-1973. Construction of the first 222,000-deadweight-ton ship, to be named the SS J. Paul Getty, was under way early in 1971 and the vessel is scheduled for delivery in November, 1971. Both of the large ships are committed to charter service for Mitsubishi Oil Company. In addition a contract was signed in 1970 for the enlargement in 1971 of a 77,936-deadweight-ton tanker to 117,600 deadweight tons. The enlarged vessel will be named the SS Alaska Getty.

At year-end 1970 the international fleet tonnage was 1,665,259 deadweight tons, consisting of 15 subsidiary-owned and 11 time-chartered ships.

In the North American Exploration and Production Division, the company's Venice, Louisiana, marine terminal, which had been extensively damaged by Hurricane Camille in August, 1969, was returned to full service in September, 1970. In March, 1970, sufficient repairs to storage, pumping and wharf facilities had been completed to permit the first loading of crude oil onto a ship after the hurricane. Earlier, temporary repairs had permitted barge loadings.

The Environment

Events occurring in 1970 continued to draw public attention dramatically to the condition of the environment. On the question of improving environmental quality, the petroleum industry received its share of expressed public concern — often heavily weighted to the critical side. While well-intentioned spokesmen on behalf of a clean environment properly identified the pollution problems remaining to be overcome, there appeared to be little public recognition of the vast strides already accomplished by industry — particularly the petroleum industry — in gaining control over the undesirable byproducts of our highly technological, energy-consuming society. Getty Oil Company and its subsidiaries recognize the worldwide scope of the pollution problems confronting all nations and in 1970, as throughout their histories, prudently invested capital resources to further diminish the effects of pollutants.

Investment in equipment and procedures which result in improvement of environmental quality are identifiied in two main categories by the company — air pollution and water pollution. Special consideration also is given to the effects of noise. In accordance with procedures recommended by the American Petroleum Institute, the 1970 expenditures of Getty Oil and its wholly owned subsidiaries were estimated at $5,876,000 for air pollution control and $5,492,000 for water pollution control. Actual 1969 expenditures were $2,843,000 and $4,914,000.

In the North American Exploration and Production Division during 1970, significant contributions were made to the reduction of air pollution and noise levels, including plant stack modifications at the New Hope deep unit sulfur recovery plant, Franklin County, Texas; vapor recovery system installations on both onshore and offshore wells; and at the Headlee Devonian unit, near Odessa, Texas, electric motor installations on high-horsepower compression facilities to reduce noise levels. In Venice, Louisiana, at the company's marine terminal, a new ballast-water cleaning system was completed. Elsewhere, the division continued to enter into oil-spill contingency cooperatives pledged to joint cleanup efforts in the event of accidental spills.

The California Exploration and Production Division, in thermal operations at the Kern River field, produces 300,000 barrels per day of fresh water from the oil-bearing formations. Since 1968, when a large water reclamation plant was completed, 200,000 barrels per day of produced water have been cleaned, purified and softened before recycling to the steam generators for reuse. The remaining 100,000 barrels per day of water is cleaned through flotation cells and released through irrigation canals for use by farmers. This is an outstanding example of the company's investment in a project which not only provides it with operating efficiencies but also controls potential pollution and successfully conserves an important and valuable resource.

Again in 1970 the company spent about $1.2 million for operations and maintenance of the pollution control facilities at the Delaware Refinery. At the time the refinery was built in 1957 nearly $15 million was invested to install the most advanced air and water quality control facilities known to the industry. In the ensuing 14 years an additional $4 million has been invested to maintain the highest degree of environmental control possible at the refinery. The Delaware Refinery has one of the largest desulfurization and sulfur recovery programs of any refinery in the world. In 1970 construction started on a new hydrocracker-hydrogen plant complex, and when the hydrocracker is completed, all liquid and gaseous products will be desulfurized. The refinery has the largest process waste-water collection and treatment system in the industry, with a capability of recovering 20 long tons per day of sulfur from waste water. In addition the refinery has the only private air monitoring network in Delaware, which since 1961 has assured the refinery of its compliance with established standards of air quality.

Human Resources

Complementing the company's improvements in operating performance in 1970 were effective changes resulting in improved employee motivation and performance. These included better communications with employees, additional improvements to assure the continuation of the company's competitiveness in compensation and benefits, further progress in equal employment opportunity programs, safer work performance, and continued improvements and innovations in community relations.

Several methods are used to accomplish effective communications with employees, including the suggestion plan, Getty News, newsletters, bulletins, and periodic surveys of employee attitudes. In 1970 more than 1,000 Getty Oil employees who are less than 30 years old participated in a survey to determine young employee attitudes toward the company. The company is proud of its young employees and strives to provide a work environment which will enable them to grow and progress and to increase their contributions to successful operations.

During 1970 an equal employment opportunity director was appointed to coordinate Getty Oil's equal employment activities. It is the company's policy to provide equal employment and advancement opportunities for all employees regardless of race, color, creed, age, sex or national origin.

Getty Oil employees achieved a better safety record in 1970 than in any other year in company history. Getty Oil experienced fewer than two disabling injuries per million manhours worked, as compared with about seven disabling injuries per million manhours for the petroleum industry in general.

Delaware Refinery employees, having the greatest number of manhours worked without a disabling injury, ranked first in the petroleum section of the National Safety Council contest in which 425 petroleum organizations competed. Refinery employees had worked over three million manhours without a lost-time injury as of February, 1971. The San Joaquin Valley district, in California, had completed over two million manhours without a disabling injury, which is a remarkable record for production operations in the company and in the industry. Fourteen of the company's 18 production areas completed one year without a lost-time injury. In the North American Marketing and Manufacturing Division, employees of two of the four large ships worked more than one million manhours without a disabling injury. The SS Louisiana Getty exceeded 2.7 million manhours without a disabling injury and the SS Wilmington Getty attained 1.3 million manhours. The employees of the San Joaquin Valley pipeline worked more than 11 years, those of the Gaviota terminal more than 17 years, without a lost-time injury.

The company considers the training and development of employees to be among each supervisor's most important responsibilities. Supervisors provide employees with opportunities for development in their daily job activities and also arrange for further training when needed. In addition, employees are encouraged to pursue opportunities for development through the tuition refund program, which reimburses 75 percent of the cost of tuition and texts for approved courses. Eligibility for this program was recently reduced from six months of employment to 30 days of employment, to enable employees to take advantage of outside educational opportunities sooner. More than 240 tuition refunds were made in 1970.

The company recognizes that the active participation of employees in business and industry groups and civic organizations can benefit the employees, their communities and the company. Getty Oil encourages employee involvement in such activities, and provides memberships for certain employees in civic, industry, professional, technical and social organizations.

As part of the company's community relations program, new projects were initiated in 1970 to aid the community and to improve the company's equal employment opportunity program. A grant was given to the University of California at Los Angeles for a minority student fellowship in the graduate school of business administration. The company also gave a grant to the graduate school of business administration at the University of Southern California, in support of the Consortium for Graduate Study in Business for Blacks. An entirely new program was started with two scholarships to support minority students who intend to become elementary school teachers in predominantly minority schools. One Mexican-American student received a scholarship at Whittier College and one black student received a scholarship at Pepperdine College. Both will obtain their college degrees and begin teaching in 1971. For the company, this is a pilot program and an innovation in community improvement which has significant promise of lasting value.

Getty Oil's aid-to-education plan each year provides five four-year scholarships to sons and daughters of Getty Oil employees, as selected by the National Merit Scholarship Corporation. In addition, Getty Oil's college grant-in-aid-program provided scholarships to 70 students outside the company and unrestricted grants to 25 departments of 15 cooperating universities. During 1970 Getty Oil also sponsored seven foreign nationals to enable them to study in American universities.

In its cooperative contributions to education program, the company matched donations of 95 employees to accredited colleges, universities, precollege institutions and professional schools in the United States. The company's total contribution to education in 1970 was more than a quarter million dollars.

In its continuing programs, the company recognizes the value of human resources to the success of its operations and improvement of the communities in which it works.

Mission Corporation

Mission Corporation's major asset is its ownership of 72.52 percent of the common stock in Skelly Oil Company. It has small amounts of petroleum production and reserves, which are included in the consolidated operating statistics. These figures are reported as follows:

	19[illegible]	[illegible]
Crude oil and condensate, barrels daily	[illegible]	[illegible]
Natural gas, thousand cubic feet daily	350	371
Producing wells owned, net interest	12.4	1[illegible]

[illegible]	[illegible]	[illegible]
[illegible]		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

Mitsubishi Oil Company

Getty Oil's interest in this affiliate is 48.7 percent and the company's share of earnings for the terms ended September 30, 1970, was approximately \$2,693,000, as compared with \$1,347,000 for the terms ended September 30, 1969. Dividends received during 1970 were \$1,353,000, compared with \$1,104,000 received in 1969. In December, 1970, Getty Oil, at a cost of \$6,809,000, subscribed to 48.7 percent of an additional Mitsubishi Oil capital stock issue of 100 million shares.

STATEMENT OF INCOME
(In thousands of dollars)

	Ended September 30, 19[illegible]	Ended September 30, 19[illegible]
Sales and other income	\$381,320	\$315,505
Costs and expenses:		
Cost of oil products and containers sold	287,187	242,992
Selling, general and administrative, and other expenses	83,594	67,547
	370,781	310,539
Income taxes	5,009	2,249
	375,790	312,788
Net income	\$ 5,530	\$ 2,717

BALANCE SHEET
(In thousands of dollars)

	Ended September 30, 1970	Ended September 30, 1969
Cash and other current assets	\$216,327	\$182,883
Property, plant and equipment, net	194,297	174,278
Investments and other assets	17,186	12,963
	\$427,810	\$370,124
Current liabilities	\$251,710	\$212,672
Long-term debt	123,534	108,645
Other liabilities and reserves	7,288	6,531
Capital and surplus	45,278	42,276
	\$427,810	\$370,124

Mitsubishi Oil Company, the Japanese affiliate of Getty Oil, continues to be a vital and active part of the rapidly expanding petroleum industry in Japan. A 40,000-barrels-per-stream-day expansion in crude oil processing capacity at the Mizushima Refinery was completed in early 1970, bringing the total capacity to 170,000 barrels per stream day. The total 1970 authorized crude throughput capacity for Mitsubishi Oil Company was 244,440 barrels per stream day for the two refineries at Kawasaki and Mizushima.

Under construction is additional crude running capacity for the Kawasaki Refinery which will increase throughput by 30,560 barrels per stream day to a total of 105,000 barrels per stream day. Also under construction by the Tohoku Oil Company is the grass roots refinery at Sendai, Honshu Island, with an authorized initial crude throughput of 40,000 barrels per stream day. Mitsubishi Oil Company has a 40 percent interest in Tohoku Oil and will market all the products from this refinery.

In September, 1970, the Ministry of International Trade and Industry gave approval to Mitsubishi Oil to increase the crude processing capacity at its Mizushima Refinery by 50,000 barrels per stream day to 220,000 barrels per stream day for completion in April, 1973. MITI also approved a 30,000 barrels-per-stream-day increase by April, 1973, for the Tohoku Oil Sendai Refinery.

After completion of present construction projects and the latest governmental authorizations for expansion, the approved refinery throughputs will be 325,000 barrels per stream day for Mitsubishi Oil and 70,000 barrels per stream day for Tohoku Oil by April, 1973.

As of December 31, 1970, Mitsubishi had a total of 3,636 service stations in operation in Japan, compared with 3,294 service stations at the end of 1969. Mitsubishi Oil, the fourth largest petroleum company in Japan, markets 8.5 percent of the petroleum products sold in the country.

Net income of Skelly Oil Company decreased 5.7 percent in 1970 to $36,185,000, or $3.05 per share, compared with 1969 net income of $38,371,000, or $3.21 per share on a greater number of shares outstanding.

Funds provided by operations in 1970 increased 7.4 percent to $102,098,000, or $8.60 per share, compared with $95,063,000, or $7.94 per share on a greater number of shares outstanding in 1969.

Net income from operations in 1970 benefited from higher crude oil and natural gas production and improved performance in chemical manufacturing operations. The full impact of improvements from these sources, however, was more than offset by increased federal taxes, increased exploration costs and reduction in net income from wood products operations.

Sales and Other Revenues

In 1970 sales and other revenues reached a record high of $533,748,000, up 10 percent over 1969's total of $485,221,000.

Capital Expenditures

The increase in Skelly Oil's capital expenditures to $99,501,000 in 1970 from $68,133,000 in 1969 reflects the increase in exploratory activity and development drilling. Of the 1970 capital budget, approximately 65 percent, or $64,531,000, was spent in exploration and production activity, compared with 56 percent, or $38,119,000, in 1969. In both years the remainder of the capital investment was primarily spent in marketing, manufacturing and transportation operations.

Exploration

Skelly Oil participated in the drilling of 31 exploratory wells — 11 offshore, and 20 onshore. This was a 40 percent decrease from the number of wells drilled during 1969. Thirty-five percent of the wells drilled were discoveries; 65 percent were dry holes. The company's working interest in the discoveries totaled 37 percent, and its working interest in the dry holes was 50.25 percent.

The Haley Unit No. 1, a 21,000-foot exploratory gas discovery in the Evetts field in Winkler County, Texas, in which Skelly Oil owns an 11 percent interest, was dually completed in 1970, and tested 29.5 million cubic feet of gas per day on a 1/2-inch choke from the Siluro-Fusselman and Ellenburger formations.

At the December 15, 1970, federal government general lease sale of areas in the Gulf of Mexico offshore Louisiana, Skelly Oil paid $17.5 million for interests in nine promising tracts through its participation in two offshore groups. Skelly Oil's interest is 10,482 net acres (40,262 gross). One-quarter interests were acquired in eight tracts, approximately 225 miles southwest of New Orleans, including one in the West Cameron Block 146; four in the West Cameron South Addition Blocks 544, 561, 575, and 594; and three in the East Cameron South Addition Blocks 273, 313 and 320; and a one-third interest in Block 95 in the West Cameron area.

The company, with Getty Oil, acquired an undivided one-half interest in approximately 568,211 acres in the Eagle Basin, Yukon Territory, Canada.

In 1970 Skelly Oil conducted important geophysical surveys in the Bering Sea and Norton Bay area off the coast of Alaska; participated in a reconnaissance survey near the Chukchi Sea; took part in a four-company project north of the Brooks Range, in Northwestern Alaska; and participated in a multicompany seismic survey covering 6,300 linear miles off the United States Atlantic Coast.

Production

Crude oil, condensate and natural gas liquids production during 1970 climbed to a record high, 4.5 percent above last year's total production.

NET DAILY LIQUIDS PRODUCTION
UNITED STATES AND CANADA

	1970	1969
Crude oil and condensate, barrels	81,000	78,000
Natural gas liquids, barrels	12,000	11,000
Total petroleum liquids, barrels	93,000	89,000

Skelly Oil's natural gas production increased 13.6 percent in 1970.

NET DAILY GAS PRODUCTION UNITED STATES AND CANADA

	1970	1969
Natural gas, million cubic feet	459	404

Development in the West Nancy field in Clarke County, Mississippi, where Skelly Oil has a 23.8 percent interest, added 900 net barrels per day of crude oil to total production. Four wells adding 500 barrels per day of crude oil were also drilled in the Goodwater field of Clarke County, where Skelly Oil holds varying interests up to 44 percent.

An infill drilling program in the Halley Ranch field of West Texas, seven miles south of Kermit, Winkler County, resulted in the completion of 40 wells, and added more than 1,100 net barrels per day of oil to Skelly Oil's production.

Skelly Oil's 14 wholly owned and 12 partially owned natural gasoline plants established record production volumes with 35,900 barrels per day of natural gas liquids, compared with 35,400 barrels per day in 1969.

Ethane recovery facilities were added at Skelly's East Vealmoor plant in West Texas and went on stream in November. The new facilities have a recovery capacity of 21 million gallons per year of ethane.

Offshore Louisiana, four wholly owned wells were completed in 1970 in the Coon Point field, about 75 miles southwest of New Orleans. The field total was nine wholly owned wells. At year-end 1970 these wells were producing more than 78 million cubic feet of gas and 2,100 barrels per day of condensate.

Skelly Oil owns a 25 percent interest in the Brazos Block A-76 field, where two gas wells were completed in 1970 by the CSSG group.

The company participated in the completions of 113.9 net oil and gas wells in 1970 — 97.9 net oil wells and 16 net gas wells. Skelly Oil participated in the drilling of 22.7 net wells abandoned as commercially not productive.

Reserves and Drilling Activities

Net crude oil and condensate and natural gas liquids reserves of Skelly Oil, principally estimated by De Golyer & McNaughton, decreased during 1970.

NET PROVED RESERVES UNITED STATES AND CANADA

	1970	1969
	(Thousands of barrels)	
Crude oil and condensate	391,700	425,100
Natural gas liquids	20,500	21,100
Total petroleum liquids	412,200	446,200
	(Billion cubic feet)	
Natural gas	2,083	1,979

TOTAL DEVELOPMENT AND EXPLORATORY WELLS DRILLED

	DEVELOPMENT		EXPLORATORY	
	1970	1969	1970	1969
Gross wells	494	188	31	52
Net wells	123	32	14	24
Crude oil liquids	96	22	2	9
Natural gas	14	8	2	3
Dry holes	13	2	10	12
Productive ratio	89%	94%	29%	50%

Manufacturing

At Skelly Oil's El Dorado, Kansas, refinery, average throughput was at a record rate of 79,000 barrels per day, four percent higher than 1969's 76,000 barrels per day, despite curtailed operations in the second quarter because of a regularly scheduled biennial turnaround.

The 1970 throughput included an average of 68,000 barrels per day of crude oil and 11,000 barrels per day of natural gas liquids, as compared with 1969's figures of 65,000 barrels per day of crude oil and 11,000 barrels per day of natural gas liquids. Refinery production for the year averaged 79,100 barrels per day, also up 4.9 percent over the 75,400 barrels per day production in 1969.

Marketing

Record sales were established for the ninth consecutive year as Skelly Oil's 1970 volume for all petroleum products, including liquefied petroleum gas, climbed to 1,846 million gallons, a four percent increase over 1969's 1,769 million gallons.

Total gasoline sales rose four percent to 752 million gallons, compared with 1969's sales of 722 million gallons. Sales of Skelly Oil's premium grade gasoline, Keotane, were up five percent over the preceding year.

These increases were largely attributable to the continued success of the marketing program initiated in 1969 which features the use of blending pumps capable of delivering five grades of gasoline at five different prices.

The improvement in sales, however, was partially offset by low gasoline selling prices and the steadily mounting costs of refining and marketing.

In another 1970 marketing activity, the company continued to emphasize its service station beautification program with the development of three new station designs — the rustic, suburban and townhouse styles. Each station is designed to blend esthetically with its surrounding neighborhood. Forty-eight new stations were completed on interstate highways or in major metropolitan areas.

Skelly Oil continued to expand its truck-stop program with the initiation of a two-story modular truck stop which can be readily expanded. The company presently has 204 truck stops.

In conjunction with the truck-stop program, Maxflo, a new product that curbs black smoke from diesel engines, was introduced. Maxflo is available in a premixed diesel fuel, or may be purchased as an additive.

In September, 1970, Skelly Oil leased 37 Nickerson Farm interstate highway service station-restaurant units to Henry's Drive-In, Inc., of Chicago. The units will continue to be operated under the Nickerson name and will continue to market Skelly Oil petroleum products.

The sales of Skelgas liquefied petroleum gas increased eight percent to 137,489,000 gallons from 1969's sales of 127,141,000 gallons. The company now owns 125 retail Skelgas branch stores and has over 1,100 dealer outlets.

Prices for Skelgas in 1970 recovered from the depressed level of the propane markets in 1969 which, combined with the greater retail sales volumes, provided greater profit margins.

Skelly Oil also realized increased sales of Skelgro chemical fertilizer, with tonnage up approximately 26 percent over 1969. Skelgro is manufactured by the company's wholly owned Hawkeye Chemical Company at Clinton, Iowa, which produces anhydrous ammonia and other chemical fertilizers.

Supply and Transportation

Skelly Oil's pipeline systems transported 39.3 million barrels of crude oil, a 5.4 percent or two-million-barrel increase over 1969's volume of 37.3 million barrels.

The wholly owned Osage Pipeline, from northern Oklahoma to Skelly Oil's refinery at El Dorado, was an important carrier of Oklahoma and Texas crude oil. Its 1970 volume of 4.9 million barrels of crude oil was the largest in its three-year history.

Ten jointly or wholly owned product terminals handled 237 million gallons of crude oil, up 13 percent from 1969's record 209 million gallons. A significant portion of this increase was attributable to the pipeline from the El Dorado refinery and the terminal in Great Bend, Kansas. Both are in their second full year of use.

Diversification

Skelly Oil's 100-percent-owned petrochemical firm, Chembond Corporation, a manufacturer of synthetic resins and adhesives for the plywood, particle board and pulp industries, set both sales and profit records in 1970, and construction of a fourth plant, at Andalusia, Alabama, was 15 percent complete at 1970 year end. The new 80-million-pounds-per-year facility, which will go on stream in early 1971, will help to supply the growing demand for Chembond's resins in the southern wood products market.

Hawkeye Chemical Company had under construction at year end a urea plant that will enable the firm to double its production of urea solutions to nearly 450 tons per day. The unit is scheduled for completion in 1971.

As part of Skelly Oil's wood products operations, Vanply, Inc., a wholly owned firm with headquarters in Albany, Oregon, began operation of a new prefinished plywood paneling plant. The facility, located at Port Manatee on Tampa Bay in Florida, has a design capacity of five million square feet per month, and is Vanply's third prefinished panel plant.

During 1970 and early 1971, Skelly Oil acquired additional authorized shares in Nuclear Fuel Services, Inc., bringing its total interest to 16.6 percent. Skelly Oil has the right to increase its interest in NFS to one-third.

A financial and operating supplement, containing additional consolidated statistical data, is available upon request. Also available are copies of the annual reports of Mission Corporation and of Skelly Oil Company, and the separate statistical supplement published by Skelly Oil. Direct inquiries to
Public Relations Department
Getty Oil Company
3810 Wilshire Boulevard
Los Angeles, California 90010

Getty Oil Company Wholly Owned Subsidiaries

Associated Oil Company (California)
Club Pierre Marques, S.A. (Mexico)
Distribuzione Olii Minerali S.p.A. (Italy)
Getty Iran Ltd. (Delaware)
Gettymar Corporation (Liberia)
Getty Minerals Company, Limited (Canada)
Getty Mines, Limited (Canada)
Getty Mining Pacific, Limited (Canada)
Getty Mining Northwest, Limited (Canada)
Getty Oil Arctic, Limited (Canada)
Getty Oil (Canadian Operations), Ltd. (Canada)
Getty Oil Company, Ltd. (Alberta)
Getty Oil (Eagle Basin), Ltd. (Alberta)
Getty Oil International (Argentina), Inc. (Liberia)
Getty Oil International (Indonesia), Inc. (Liberia)
Getty Oil International (Latin America), Inc. (Liberia)
Getty Oil Maritime Limited (Canada)
Getty Oil Northwest Territories, Ltd. (Canada)
Getty Oil (Philippines) Inc. (Philippines)
Getty Petroleum Company (Liberia)
Getty Pipe Company (Pennsylvania)
Getty Pipe Line Company (Texas)
Getty Tankers, Ltd. (Liberia)
Hemisphere Transportation Corporation (Liberia)
Huiles Veedol France S.A. (France)
Liberian Operations, Inc. (Liberia)
Liberian Operations Limited (England)
Lubrificanti Veedol S.p.A. (Italy)
Minnehoma Land and Farming Company (California)
Pacific Western Oil Corporation (Delaware)
Seaside Oil Corporation (Delaware)
S. P. Oil Company (United Kingdom)
Sutton Place Property Company, Limited (England)
Transoceanic Shipping Corporation (Liberia)
Veedol Espanola S.A. (Spain)
Veedol G.m.b.H. (Germany)
Veedol Oil Company (Canada) Ltd. (Canada)
Veedol Petroleum International A.G. (Switzerland)

Getty Oil Company Consolidated Companies

Mission Corporation (Nevada)
  Skelly Oil Company (Delaware)
Nuclear Fuel Services, Inc. (Maryland)

Getty Oil Company Nonconsolidated Companies

Mitsubishi Oil Company (Japan) 48.7%
Vangas, Inc. (California) 71.19%

Transfer Agents

First National City Bank
Corporate Trust Department
399 Park Avenue
New York, New York 10022

Security Pacific National Bank
Corporate Trust and Agency Division
124 West Fourth Street
Los Angeles, California 90054

Crocker-Citizens National Bank
Stock Transfer Department
Rincon Annex, Box 3725
San Francisco, California 94120

Canada Permanent Trust Company
320 Bay Street
Toronto, Ontario, Canada

Registrars

The Chase Manhattan Bank, NA
Agency Division
1 Chase Manhattan Plaza
New York, New York 10015

Bank of America, NT&SA
Corporate Agency Division
111 West Seventh Street
Los Angeles, California 90014

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Mina Saud, Saudi Arabia-Kuwait Neutral Zone
Riyadh, Saudi Arabia

Annual Meeting

The Annual Meeting of stockholders will be held at 2:30 p.m., Thursday, May 6, 1971, at the Hotel Sonesta, 1700 Smith Street at Jefferson, Houston, Texas.

Getty

Getty Oil Company 3810 Wilshire Boulevard, Los Angeles, California 90010